2025 Provincial Economic Review and Outlook

Western Cape Government

Western Cape Government
Provincial Treasury

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2025

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Foreword

The Provincial Economic Review and Outlook (PERO) is our annual stock take of the Western Cape economy and its social foundations. It brings together what has changed, what is holding us back, and where effort and resources yield the greatest return. We use it to guide choices in the budget cycle, to brief Cabinet and municipalities, and to keep the focus on outcomes that matter to households and businesses.

This year's edition lands in a period of tighter budgets and rising demand for core services, while the world economy adjusts to higher borrowing costs and softer trade growth.

It sets out evidence, trends, and practical implications for the year's budget choices, through official data and credible evidence, so that the Western Cape Government can focus on work that compounds over time.

The national economy is expanding more slowly than needed, borrowing costs remain high, and many households face pressure from prices and weak real income growth. Global demand is uneven, which weighs on trade. Within this setting the Western Cape shows clear strengths as well as constraints. Exporters and tourism add momentum, while energy supply risk, freight delays, and safety concerns remain. Rapid and unsustainable population growth increases demand for education, health, housing, and transport at the same time that budgets are tight.

These are the conditions against which choices must be made. This report points to progress made as well as the risks that matter, the capacity that exists, and the steady steps that can support growth, jobs, safer communities and better basic services. We need sustained momentum to turn progress into lasting impact.

My thanks to my Cabinet colleagues, the Provincial Treasury research team, colleagues across departments and municipalities who contributed data and insights. Your work turns numbers into direction. This PERO will support the Western Cape's planning and budgeting in the year ahead and help us keep attention on gaining momentum to deliver more for our residents.

Ms Deidré Baartman
Minister of Finance
30 September 2025

Acknowledgements

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Data Disclaimer

The data provided in this publication is provided in good faith, and every reasonable effort has been made to ensure that it is correct and up to date. The publication made use of the most recent published economic data utilising sources such as the South African Reserve Bank (SARB), International organisations, data service providers, Statistics SA and provincial Departments.

Executive Summary

Over the past two decades, South Africa's economy has undergone a significant structural shift, moving away from its traditional reliance on the Mining and Manufacturing sectors towards an economy dominated by the Finance sector. Deindustrialisation, triggered in part by the dismantling of protective tariffs exposed domestic manufacturers to intense global competition, leaving local industries vulnerable to cheaper imports, and eroded international competitiveness. The erosion of the manufacturing base has curtailed the country's potential for scalable job creation and diminished the multiplier effects that once fueled broader economic development.

This has entrenched structural impediments that hinder the country's trajectory toward equitable and sustained development. These structural challenges continue to burden South Africa's economic outlook. Infrastructure deficits, including unreliable electricity supply, inadequate water and transport systems, limit productivity and deter investment. High unemployment and inequality remain entrenched, exacerbated by weak governance and limited economic diversification. These factors place additional fiscal pressures on provincial governments, compounding the challenges faced in promoting sustained growth.

Trade relations, particularly with the United States, remain crucial for South Africa. Key export sectors such as motor vehicles and agricultural products like clementines are heavily dependent on the U.S. market. However, recent U.S. tariff increases have sharply curtailed exports, with the motor vehicle industry experiencing significant disruption. These tariffs have contributed to an overall decline in export volumes, exposing the vulnerability of South Africa's export-driven sectors to international policy shifts.

Examining regional trends, rural districts within the Western Cape have outperformed the Cape Metro area in terms of GDP growth and unemployment outcomes. This relative success is likely related to lower congestion, reduced crime levels, and more affordable living costs, which together create more favourable conditions for economic activity outside the primary metropolitan hub.

Capital investment in the Western Cape has slowed across most sectors in recent years. Nonetheless, the Agriculture sector stands out as an exception, driven by substantial investments in mechanisation. This surge in mechanisation has buoyed productivity and competitiveness but coincided with a decline in employment within the Sector, reflecting a shift in the nature of labour demand in the sector.

The Western Cape's labour market has shown notable resilience, with its labour force expanding at a pace surpassing the national average over the past five years. Higher education attainment has markedly enhanced employment prospects in the Province.

Employment growth in the Western Cape has significantly outpaced national trends, with the Province accounting for the majority of net employment gains in South Africa during the recent five-year period. The Finance sector has been the principal driver of these gains, contributing significantly to both GDP recovery and employment growth.

Labour force participation in the Province rises with education levels, with older age groups and males participating more consistently. Conversely, participation has declined among those with less than secondary education, underscoring education's role as a determinant of labour market engagement. Informal employment, while smaller in scale than the national average, has been growing more rapidly in the Western Cape, especially among some demographic cohorts.

Job satisfaction metrics reveal that workers in the Western Cape report higher satisfaction than their national counterparts across different demographic and educational groups. This elevated satisfaction correlates with factors such as education level and reflects qualitative aspects like autonomy, trust, and career pathways, often valued above remuneration.

The unemployment rate in the Western Cape has declined below pre-pandemic levels, with notable improvements seen across various demographic categories including youth. The Province also exhibits a relatively smaller gap between official and expanded unemployment rates, suggesting lower levels of discouraged work-seekers compared to other provinces.

Demographically, the Western Cape has experienced robust population growth driven by natural increases and significant net in-migration. This inflow is likely motivated by perceptions of better job opportunities, improved service delivery, and a higher quality of life. Population projections indicate continued rapid growth, necessitating substantial planning for housing, infrastructure, and social services.

The Province's age profile is gradually shifting towards an older population, with declining proportions of children and youth and an increasing elderly demographic. This demographic transition has implications for healthcare demands, pension systems, and economic productivity over the long term.

Poverty in the Western Cape remains a persistent challenge. The absolute number of people living below the lower poverty line has risen over the last decade, reflecting the structural nature of poverty exacerbated by shocks such as the COVID-19 pandemic. Despite this, some modest progress is seen in inequality measures, although disparities remain pronounced especially in certain rural districts.

Human development indicators in the Western Cape surpasses national averages. The Province has registered improvements in metrics such as the Human Development Index (HDI), healthcare access, and education outcomes. Notably, the Western Cape Education Department has achieved a record National Senior Certificate pass rate and higher Bachelor's pass rates relative to other provinces.

Population pressures place strain on public services. While school enrolment has risen substantially, infrastructure expansion, has not matched this growth, contributing indirectly to declining learner-teacher ratios. Furthermore, the Western Cape's healthcare workforce has not grown in line with the rapidly increasing population, resulting in fewer healthcare professionals available per person. Although patient services have expanded, there has been a clear move away from clinic-based care towards services delivered in homes and communities, as well as central medication dispensing, reflecting changing healthcare approaches.

There has been notable progress in access to Antiretroviral Therapy (ART), with significant increases in patient numbers across districts. However, disparities persist in neonatal mortality rates between districts, underscoring uneven health outcomes within the Province.

Housing demand in the Western Cape has risen substantially, particularly in urban centres like the Cape Metro, reflecting ongoing urbanisation and rapid population growth. Some rural districts have succeeded in reducing housing backlogs, though others face substantial increases in demand, highlighting the uneven distribution of housing needs.

The Western Cape exhibits a complex crime environment, with some categories such as murders still growing, while others like residential burglary have seen substantial declines. However, crime prevention interventions, notably the LEAP programme, have produced measurable improvements in the most affected areas across various crime categories.

Social vulnerability is reflected in the child and youth care system, where the number of children cycling through secure care centres has increased, indicating rising demand for protective services. Meanwhile, community-based care for older persons has seen declining subsidies and beds, in contrast with an ageing population needing greater support.

In summary, the Western Cape demonstrates resilience and pockets of progress amidst persistent socio-economic and fiscal pressures. The Province faces significant challenges related to population growth and its impact on service delivery, infrastructure, and inequality, though targeted interventions and sectoral dynamics contribute to a cautiously optimistic outlook.

Contents

Chapter 1:	**The Global and National Economic Context**	**1**
1.1	Introduction	1
1.2	Global economic developments	3
1.3	South Africa's Economy in Slow Motion: Sluggish Growth, Emerging Trade Risk, and Ebbing Investments	10
1.4	Conclusion	33
Chapter 2:	**The Western Cape Economy**	**45**
2.1	Introduction	45
2.2	Developments in the Western Cape Provincial Economy	47
2.3	Fixed Investment	58
2.4	Energy Resilience in the Western Cape	60
2.5	International trade	62
2.6	Tourism	67
2.7	Economic Outlook of the Western Cape	71
2.8	Conclusion	74
Chapter 3:	**Demographic Profile**	**79**
3.1	Introduction	79
3.2	Population dynamics	81
3.3	Poverty, Inequality, and Human Development	90
3.4	Gender and Child Distribution of Household Heads in the Western Cape	93
3.5	Conclusion	95
Chapter 4:	**Labour Market Dynamics**	**101**
4.1	Introduction	101
4.2	The Western Cape Labour Market in Context	103
4.3	Labour force	103
4.4	Employment	108
4.5	Informal employment	111
4.6	Job satisfaction	117
4.7	Unemployment	119
4.8	Conclusion	129
Annexure A		130
Chapter 5:	**Socio-economic Profile of the Western Cape**	**137**
5.1	Introduction	137
5.2	Education and Learning	139
5.3	Health and wellness	147
5.4	Household services	159
5.5	Crime	165
5.6	Social Services	170
5.7	Conclusion	176
Glossary		**181**

Tables

Table 1.1	The global economic outlook, 2025 – 2026	3
Table 1.2	Share of South Africa's major export and import destinations in 2024	21
Table 1.3	GDP growth and contribution to growth forecast per sector in South Africa, 2025 and 2026	31
Table 2.1	GDP at basic prices per sector and Western Cape districts, 2015 – 2024	54
Table 2.2	Sector contribution to total GDP of each district in 2024	55
Table 2.3	Progress in Western Cape Energy Resilience Programme	61
Table 2.4	Top 10 Import and export markets for the Western Cape, 2015 – 2024	66
Table 4.1	Composition of the South African narrow labour force, 1Q2020 – 1Q2025	104
Table 4.2	Composition of the Western Cape narrow labour force, 1Q2020 – 1Q2025	106
Table 4.3	Changes in South African employment per demographic cohort, 1Q2025 – 1Q2025	109
Table 4.4	Changes in Western Cape employment per demographic cohort, 1Q2020 – 1Q2025	110
Table 4.5	Change in informal employment per sector in South Africa, 1Q2020 – 1Q2025	112
Table 4.6	Change in informal employment per demographic cohort in the Western Cape, Q12020 – Q12025	114

Figures

Figure 1.1	Inflation rates for selected countries, 2016 - 2025	6
Figure 1.2	Gross Domestic Product per capita of selected countries in international dollars (PPP), 2015 - 2024	7
Figure 1.3	GDP share for sectors in 2024 and change since 2005 per sector in South Africa	10
Figure 1.4	Cumulative GDP growth and contribution to growth per sector in South Africa, 2015 - 2024	11
Figure 1.5	Real value of building plans and completed buildings in South Africa, 2015 - 2024	13
Figure 1.6	Real GDP per capita, population growth and GDP growth in South Africa, 2015 - 2024	14
Figure 1.7	South Africa's cumulative recovery in GDP and employment, 1Q2020 - 2Q2025	15
Figure 1.8	Headline inflation and repo rate for South Africa, July 2021 - July 2025	16
Figure 1.9	Annual real budget growth of the WCG, 2015/16 - 2024/25	17
Figure 1.10	CPI trend per expenditure decile in South Africa, July 2020 - July 2025	17
Figure 1.11	Headline, food and housing and utilities inflation in South Africa, July 2021 – July 2025	18
Figure 1.12	Real export performance per sector in South Africa, 2015 - 2024	19

Figure 1.13	Nominal and real trade balance for South Africa, 2015 - 2024	19
Figure 1.14	Exports to United States as share of total exports from South Africa, 2024	21
Figure 1.15	Percentage change in exports of citrus, textiles and motor vehicles from South Africa to the world and the USA, 2Q2024 vs 2Q2025	22
Figure 1.16	Growth contribution in exports of citrus, textiles and motor vehicles from South Africa to the rest world and the USA, 2Q2024 vs 2Q2025	22
Figure 1.17	Fixed Capital Stock data per sector in South Africa, 2015 - 2024	23
Figure 1.18	Comparison of Fixed Capital Stock growth contribution to relative size by sector in South Africa, 2015 - 2024	24
Figure 1.19	Fixed Capital Stock data by asset type in South Africa, 2015 - 2024	24
Figure 1.20	Gross Fixed Capital Formation to Gross Domestic Expenditure in constant 2025 prices in South Africa, 2015 - 2024	25
Figure 1.21	Fixed investments to GDP by selected countries, 2015 - 2024	26
Figure 1.22	Total electricity produced in South Africa: Eskom and non-Eskom producers, 2015 - 2024	27
Figure 1.23	Electricity price inflation for municipalities in comparison to headline inflation, 2015/16 - 2024/25	28
Figure 1.24	Real GDP growth contribution per sector for South Africa, 2Q2025 (in % points)	30
Figure 1.25	RMB/BER Composite Business Confidence Index, 3Q2016 – 3Q2025	30
Figure 2.1	Western Cape Gross Domestic Prices growth, 2024	47
Figure 2.2	Cumulative GDP growth per sector in the Western Cape, 2015 - 2024	48
Figure 2.3	Correlation of Finance sector sub-sectors share of GDP (2024); growth, and growth contribution (2015 - 2024)	49
Figure 2.4	Comparison between the growth in GDP and employment in the Construction sector; population and the nominal value in buildings completed between the rest of South Africa and the Western Cape, 2015 - 2024	50
Figure 2.5	Real GDP per capita in the Western Cape, 2015 – 2024	52
Figure 2.6	COVID recession recovery of GDP and employment levels in the Western Cape (cumulative), 1Q2020 – 2Q2025	53
Figure 2.7	Contribution to COVID recession recovery of GDP and employment in the Western Cape (cumulative), 1Q2020 – 2Q2025	53
Figure 2.8	Share (2024) and growth (2015 - 2024) of GDP at basic prices per district in the Western Cape	56
Figure 2.9	Median monthly income per region in 2024 and absolute difference (2015 – 2024)	57
Figure 2.10	Growth of Capital stock (2015 – 2024)	58
Figure 2.11	Growth in Capital stock by category in the Western Cape, 2020 - 2024	59
Figure 2.12	Electricity generated and available for distribution by Eskom in the Western Cape, 2014 – 2024	60

Figure 2.13	Nominal exports from the Western Cape: Relative size in 2024; and Annual Average Growth, 2015 – 2024	62
Figure 2.14	Main contributors to growth of mining exports from the Western Cape, 2015 - 2024	63
Figure 2.15	Top five agriculture export destinations for the Western Cape; Growth and growth contribution (2015 - 2024); share to total exports (2024)	63
Figure 2.16	Exports to the United States as a share of total exports by sector and commodity from the Western Cape, 2024	64
Figure 2.17	Growth of exports to the world and the United States from the Western Cape, 2Q2024 vs 2Q2025	65
Figure 2.18	International tourist arrivals at Cape Town International Airport, 2019 - 2024	68
Figure 2.19	Share, growth, and growth contribution of the top five tourism source countries at Cape Town International airport, 2020 - 2024	69
Figure 2.20	Overnight Trips by main destination province of South Africa, share in 2024; growth and growth contribution between 2020 – 2024	70
Figure 2.21	Real GDP growth per sector for the Western Cape, 2Q2025	71
Figure 2.22	Western Cape RMB-BER Composite Business Confidence Index, 3Q2016 – 3Q2025	72
Figure 2.23	Growth and contribution to GDP growth per sector in the Western Cape, 2025 – 2026	73
Figure 3.1	Population Estimates by Province, 2025	81
Figure 3.2	Racial Composition of the Western Cape, 1Q2020 - 1Q2025	82
Figure 3.3	Population Growth and Expected Population Growth by Province, 2016 – 2035	83
Figure 3.4	Estimated Net Migration by Province, 2021 - 2026	84
Figure 3.5	Total Fertility Rate by Province, 2001 – 2026	85
Figure 3.6	Life Expectancy of Males per Province, 2001 – 2026	86
Figure 3.7	Life Expectancy of Females per Province, 2001 – 2026	86
Figure 3.8	Western Cape Share of Age Groups to Total Population, 2016 – 2025	87
Figure 3.9	National Age Pyramid, 2025 Population Estimate	88
Figure 3.10	Western Cape Age Pyramid, 2025 Population Estimate	89
Figure 3.11	Number & Portion of Persons Below the Lower Bound Poverty Line in the Western Cape, 2015 – 2024	90
Figure 3.12	Gini Coefficient for South Africa and the Western Cape by District, 2015 – 2024	91
Figure 3.13	Human Development Index for South Africa and the Western Cape by District, 2014 - 2023	92
Figure 3.14	Western Cape Households headed by Gender	93
Figure 3.15	Western Cape Households Headed by Children	94

Figure 4.1	South African labour force participation rate per cohort, 1Q2020 – 1Q2025	105
Figure 4.2	Western Cape labour force participation rate per cohort, 1Q2020 – 1Q2025	107
Figure 4.3	Labour Force Participation Rate (LFPR) per district as of 2024	107
Figure 4.4	Employment loss/gains per sector in the Western Cape and Rest of South Africa, 1Q2020 – 1Q2025	111
Figure 4.5	Informal Employment share (1Q2025) and growth (1Q2020 – 1Q2025) by cohort in South Africa	113
Figure 4.6	Share of Informal to total employment (1Q2025) and informal employment growth (1Q2020 – 1Q2025) in the Western Cape	115
Figure 4.7	Formal/Informal Employee Percentage Split per District, 2024	117
Figure 4.8	Rate of job satisfaction, South Africa and the Western Cape, 2Q2025	117
Figure 4.9	Expanded unemployment rates per Province, 2Q2025	119
Figure 4.10	Provincial Unemployment Rates, 2Q2025	120
Figure 4.11	Growth in unemployment per population cohort and South Africa's unemployment rate, 1Q2020 – 1Q2025	121
Figure 4.12	Portion of labour force with Tertiary education and the unemployment rate per population cohort in South Africa, 2Q2025	122
Figure 4.13	Unemployment rates per cohort in South Africa, 1Q2020 vs 1Q2025	122
Figure 4.14	Unemployment rates per cohort in the Western Cape, 1Q2020 – 1Q2025	124
Figure 4.15	Comparison of unemployment rates of the Western Cape and South Africa by cohort, 2Q2025	124
Figure 4.16	Correlation between unemployment rate and portion of labour force with Tertiary qualifications in the Western Cape, 2Q2025	125
Figure 4.17	Correlation between labour force growth and portion of labour force absorbed into employment in the Western Cape by race and education cohorts, 1Q2020 - 1Q2025	126
Figure 4.18	Unemployment Rate (2024) and change in unemployment rate, 2015 - 2024 in the Western Cape per district	128
Figure 5.1	Number of Schools & Learners in the Western Cape, 2015 – 2024	140
Figure 5.2	Learner-Teacher Ratio in the Western Cape, 2015 - 2024	141
Figure 5.3	Learner-Teacher Ratio by province, 2024	142
Figure 5.4	Retention Rate in Primary & High School in the Western Cape, 2016 - 2024	143
Figure 5.5	Systemic Test Results in the Western Cape, 2021 - 2024	144
Figure 5.6	NSC, Diploma and B Degree Pass Rates in the Western Cape, 2022 - 2024	145
Figure 5.7	National Senior Certificate Results by Province (2022 - 2024)	145
Figure 5.8	Number of Public Employed Doctors, Nurses and Other Health Workers per 100 000 Population in the Western Cape, 2015/16 - 2024/25	148

Figure 5.9	Public Healthcare Total Headcount, Home and Community Based Care, Central Dispensing Unit Headcount, and School Health Headcount in the Western Cape, 2015/16 – 2024/25	150
Figure 5.10	Top Ten Leading Natural Causes of Death in the Western Cape, 2022	151
Figure 5.11	Regional share of total rollout of ART in the Western Cape in 2024/25 and contribution to growth, 2020/21-2024/25 in the Western Cape, 2020/21 -2024/25	152
Figure 5.12	The In-Facility Neonatal Mortality Rate per District in the Western Cape, 2020/21 2024/25	153
Figure 5.13	Immunisation Rate per District in the Western Cape, 2020/21 - 2024/25	154
Figure 5.14	Public Sector In-Facility Maternal Mortality Rate in the Western Cape per District, Average, 2020/21 - 2024/25	156
Figure 5.15	Total Psychiatric Admissions & Specialised Psychiatric Hospital Admissions in the Western Cape, 2015/16 - 2024/25	157
Figure 5.16	Number of Suicides in the Western Cape, 2015/16 - 2024/25	158
Figure 5.17	Share of registered housing demand in the Western Cape per district, 2025 and housing demand growth (2022 - 2025)	159
Figure 5.18	Number of Houses, Serviced Sites Delivered, Subsidies and Grant expenditure in the Western Cape, 2015/16 - 2024/25	161
Figure 5.19	Growth in housing demand vs growth in housing opportunities	162
Figure 5.20	Number of Title deeds registered, in the Western Cape, 2015/16 - 2024/25	162
Figure 5.21	Share of basic municipal services to total household dwellings in the rest of South Africa, 2005, 2014, 2024	164
Figure 5.22	Share of basic municipal services to total household dwellings in the Western Cape, 2004, 2014, 2024	165
Figure 5.23	Western Cape crime rates among five crime categories, 2019 - 2024	166
Figure 5.24	Murder per capita in 2024 and growth in murder per capita (2015 - 2024) per district, in the Western Cape	167
Figure 5.25	Comparison of average crime ratios of hotspot areas to the rest of the Western Cape between LEAP interventions and no interventions over 17 quarters: Control period (1Q2016 - 1Q2020), LEAP interventions period (1Q2021 - 1Q2025).	168
Figure 5.26	Average improvement in selected crime categories in LEAP hotspot areas in the Western Cape, 1Q2021 - 1Q2025	169
Figure 5.27	Number of Adults and Children referred to and completed diversion programmes 2020/21 to 2024/25	172
Figure 5.28	Child and Youth Care Centres (secure facilities) in the Western Cape, 2020/21 to 2024/25	172
Figure 5.29	Child Protection Services in the Western Cape, 2020/21 to 2024/25	174
Figure 5.30	Services to Older Persons in the Western Cape, 2020/21 to 2024/25	175

Acronyms

4IR	Fourth Industrial Revolution
AIDS	Acquired Immunodeficiency Syndrome
AI	Artificial Intelligence
AGOA	African Growth and Opportunity Act
ART	Antiretroviral Therapy
AWS	Amazon Web Services
BER	Bureau of Economic Research
BOT	Back on Track
BPO	Business Process Outsourcing
CBS	CBS News
CDC	Centers for Disease Control and Prevention
COVID	Coronavirus Disease
CPB	Netherlands Bureau for Economic Policy Analysis
CYCC	Child and Youth Care Centre
DESA	Department of Economic and Social Affairs
DHET	Department of Higher Education and Training
DHW	Department of Health and Wellness
DNB	De Nederlandsche Bank
DSD	Department of Social Development
EMDEs	Emerging Market and Developing Economies
FTE	Full-Time Equivalent
G4J	Growth for Jobs
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
GVA	Gross Value Added
HDI	Human Development Index
HIV	Human Immunodeficiency Virus
HSRC	Human Sciences Research Council
ILO	International Labour Organization
IMF	International Monetary Fund

IT	Information Technology
LEAP	Law Enforcement Advancement Plan
LFPR	Labour Force Participation Rate
NCD	Non-Communicable Disease
NDP	National Development Plan
NEETs	Not in Education, Employment, or Training
OBR	Office for Budget Responsibility
OECD	Organisation for Economic Co-operation and Development
ONS	Office for National Statistics
PERO	Provincial Economic Review and Outlook
PES	Provincial Equitable Share
PHC	Primary Healthcare
PPP	Purchasing Power Parity
QLFS	Quarterly Labour Force Survey
R&D	Research and Development
SAPS	South African Police Service
SMMEs	Small, Medium, and Micro Enterprises
Stats SA	Statistics South Africa
TB	Tuberculosis
TFR	Total Fertility Rate
UK	United Kingdom
US	United States
USAID	United States Agency for International Development
USD	United States Dollar
WC	Western Cape
WCED	Western Cape Education Department
WCG	Western Cape Government
WHO	World Health Organization

1

THE GLOBAL AND NATIONAL ECONOMIC CONTEXT

1.1 Introduction

The global economy is navigating a dynamic landscape, with opportunities emerging amidst challenges. Trade networks evolve as nations adapt to new policies, fostering innovation in supply chains. Central banks carefully balance inflation control with growth, while technological advancements unlock exciting potential for productivity. Geopolitical shifts encourage collaboration and strategic partnerships.

South Africa stands at a pivotal moment, rich with potential. Its abundant natural resources and vibrant private sector drive optimism, despite challenges like electricity costs and youth unemployment. The nation's resilience, rooted in its diverse history, fuels progress. With ongoing reforms and a focus on transparency, South Africa is poised to attract investment and build a brighter economic future.

THE GLOBAL AND NATIONAL ECONOMIC CONTEXT

OVERVIEW

Current and expected GDP growth

	Global	USA	Euro Area	China
2024	3.3%	2.8%	0.9%	5.0%
2025	3.0% ↓	1.9% ↓	1.0% ↑	4.8% ↓
2026	3.1% ↑	2.0% ↑	1.2% ↑	4.2% ↓

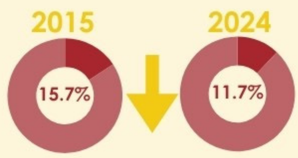
The South African Economy grew by 0.5% in 2024

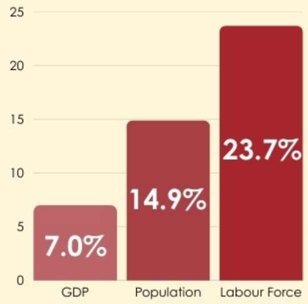
Cumulative Growth (2015 - 2024):

Top and Bottom Two Sectors for GDP Growth

- Finance: 25.4%
- Community Services: 15.9%
- Utilities: -16.3%
- Construction: -32.0%

Ratio of Gross Fixed Capital Formation to Gross Domestic Expenditure





2014/15 - 2024/25

Eskom's average price increases for local authorities

148.4% ↑

Headline Inflation

53.2% ↑

Share of exports to U.S. in 2024	Impact of 10% tariff increase in 2Q2025, compared to 2Q2024
Total: 7.7%	Total: -17.3%
Motor vehicles: 12.7%	Motor vehicles: -54.9%
Clementines: 10.6%	Citrus: 19.4%

South Africa's Growth Outlook: A Steady Struggle

RMB/BER BCI (3Q2025): 39pts	Housing and Utilities Inflation (July 2025): 8.9%
Inflation Rate (July 2025): 3.5%	Food Inflation (July 2025): 5.5%
Average GDP growth (2015 - 2024): 0.7%	Repo Rate (September 2024): 7%

Strong performance expected in 2025: Finance sector: 3% | Agriculture sector: 6.9%

WCG real budget growth under pressure

2015/16 - 2019/20	2020/21 - 2024/25:	2015/16 - 2024/25
2.2% ↑	0.3% ↓	0.9% ↑

The South African Economy is expected to expand by 0.7% in 2025 and 1.3% in 2026

1.2 Global economic developments

1.2.1 Global Economic Performance

The global economy, battered by trade barriers and policy missteps[1], faces a tough road ahead. According to the OECD's Outlook[2], global economic prospects are weakening, with substantial barriers to trade, tighter financial conditions, diminishing confidence and heightened policy uncertainty. Emerging market and developing economies (EMDEs) bear the brunt, struggling to narrow income gaps and boost jobs. Escalating trade disputes, geopolitical strains, and climate shocks threaten progress, though robust trade agreements offer a lifeline. With foreign investment scarce, EMDEs need bold reforms to tame inflation and attract capital.

For EMDEs the path to growth demands stronger institutions and skilled workforces. Labour markets must adapt to spur employment, while conflict-ridden nations require tailored solutions and global support. Coordinated international efforts to ease trade frictions and resolve debt crises[3] are critical. Without such cooperation, vulnerable economies risk stagnation, unable to unlock the potential needed for sustained prosperity.

Table 1.1 The global economic outlook, 2025 – 2026

Region/country	GDP share in PPP (USD) 2024	2024	2025(f)	2026(f)
World Output	**100.0%**	**3.3**	**3.0**	**3.1**
Advanced Economies	**39.9%**	**1.8**	**1.5**	**1.6**
US	14.9%	2.8	1.9	2.0
Euro Area	**11.6%**	**0.9**	**1.0**	**1.2**
Germany	3.1%	(0.2)	(0.1)	0.9
France	2.2%	1.1	0.6	1.0
Japan	3.3%	0.2	0.7	0.5
United Kingdom	2.2%	1.1	1.2	1.4
Emerging Market and Developing Economies	**60.1%**	**4.3**	**4.1**	**4.0**
China	19.5%	5.0	4.8	4.2
India	8.3%	6.5	6.4	6.4
Russia	3.5%	4.3	0.9	1.0
Brazil	2.4%	3.4	2.3	2.1
Mexico	1.7%	1.4	0.2	1.4
Sub-Saharan Africa	**3.2%**	**4.0**	**4.0**	**4.3**
Nigeria	0.8%	3.4	3.4	3.2

Source: IMF, World Economic Outlook July 2025

The United States (U.S.) economy in 2025 shows cautious resilience, with a 0.5 per cent GDP contraction in 1st quarter of 2025. The contraction reflected a combination of a large import surge (mainly due to tariff increase anticipation); decreased federal government spending; a slowdown in consumer spending growth; modest export growth; and partial offset from increased investment. The One Big Beautiful Bill Act passed in July 2025 is expected to widen budget deficits substantially while reshaping the tax

[1] For instance, ongoing US tariffs on goods as a negotiating and geopolitical tool create uncertainty, raise inflation risks, and disrupt trade flows. Central banks face challenges balancing inflation control with growth amid these shocks (Moonstone,2025).

[2] Volume 2025, Issue 1

[3] Numerous low- and middle-income countries face acute debt servicing burdens, including Kenya, Pakistan, Sri Lanka, and Suriname (Al Jazeera, 2025; IMF, 2025).

landscape with a strong emphasis on permanent tax reliefs and spending cuts. Its benefits may include greater tax code stability and incentives for some investments, but significant risks include increased fiscal strain, sectoral job dislocations, reduced public program support, and potential long-term weakening of U.S. economic competitiveness and global trade relationships. Growth is projected at 1.9 per cent in 2025 and 2.0 per cent in 2026, but tariff escalations and fiscal risks threaten stability (BEA, 2025; CBS News, 2025; Statista, 2025; Advisor Perspectives, 2025).

In 2025, Germany shifted to expansionary fiscal policies to boost economic growth. It created a €500 billion fund over 12 years for infrastructure, energy, education, and healthcare improvements. The "debt brake" rule was relaxed to allow more defence spending and state deficits. The 2025 budget approved about €120 billion annually for infrastructure and defence, marking a break from fiscal conservatism. These measures aim to modernise the economy and improve defence. Challenges like bureaucracy and trade pressures persist. The German economy is expected to contract by 0.1 per cent in 2025 but will recover by 0.9 per cent in 2026 (HSFKramer, 2025; LW, 2025; European Commission, 2025; Reuters, 2025).

In 2025, the United Kingdom's (U.K.) fiscal policy balances cautious deficit reduction with targeted public spending to support growth, focusing on infrastructure, research, and clean energy investments. This approach aims for long-term fiscal sustainability while maintaining economic momentum. The government's Invest 2035 industrial strategy further drives innovation and productivity in high-growth sectors like AI and renewable energy, addressing regional disparities and boosting overall development. The IMF expects a steady 1.2 per cent expansion in 2025, led by business investment, easing inflation, and rising wages followed by a 1.4 per cent expansion in 2026 (IMF, 2025; OBR, 2025; ONS, 2025).

The Netherlands pursues a moderately expansionary fiscal policy, increasing public spending on healthcare, social security, defence, and climate-related subsidies. As a result, the budget deficit widens to about 2.1 per cent of GDP amid rising expenditures and growing tax revenues from increased employment and wage growth. Economically, the Netherlands GDP is expected to grow around 1.4 per cent in 2025 and 2026, driven primarily by strong domestic demand, wages outpacing inflation, and increased private consumption despite trade tensions and US tariffs affecting exports. Key growth sectors include green energy, defence, and technology (DNB, 2024; CPB Netherlands Bureau for Economic Policy Analysis, 2025; OECD, 2025).

China's economy is supported by fiscal subsidies, infrastructure spending, and a recovery in domestic consumption, though consumer demand remains below pre-COVID levels. Export growth faces headwinds from trade restrictions and uncertainties in global trade policy. Manufacturing investment remains resilient but slowed. Overall, consumption, investment, and export dynamics will shape growth, with technology and renewable energy sectors benefiting from policy support. The Chinese economy is expected to expand by 4.8 per cent in 2025 and by 4.2 per cent in 2026 (World Bank, 2025; IMF, 2025; BBVA Research, 2025).

Namibia's economy is projected to grow by 3.8 per cent in 2025 and 3.7 per cent in 2026, supported by recovery in mining (notably diamonds and uranium) and agriculture, alongside increased public investment in infrastructure and social welfare aiming to reduce poverty and unemployment. Despite these growth drivers, Namibia faces risks from global commodity price volatility and continues efforts to manage public debt sustainably and mobilise domestic resources for development (IMF, 2025; Fitch Solutions, 2025; Bank of Namibia, 2025; World Bank, 2025; Further Africa, 2025).

Botswana's economy contracted by 3.0 per cent in 2024 due to a sharp decline in diamond exports, which still make up over 80 per cent of trade, worsened by weak global demand and drought (Reuters, 2025; Fitch Solutions, 2024). In 2025, Botswana focused on diversifying its economy beyond diamond mining, with growth driven by tourism, especially eco-tourism, and financial services. However, recent economic contraction from weak mining, agriculture, and diamond trading lowered growth forecasts to near zero. The economy is expected to contract by 0.4 per cent in 2025 but will recover with a 2.3 per cent expansion in 2026 (International Monetary Fund [IMF], 2025; Reuters, 2025; Fitch Solutions, 2024).

Eswatini's economy is mainly driven by private consumption, agricultural improvements, and an easing of inflation due to lower global energy prices. The economy is significantly influenced by South Africa, its main trading partner, which affects export demand and overall growth prospects. Inflation is expected to normalise around 3.7 per cent, supported by policy rate cuts from the Central Bank of Eswatini and slower inflation in South Africa. Challenges include fiscal deficits due to lower Southern African Customs Union revenues and moderate exposure to external trade tensions and aid cuts. The IMF expects Eswatini's economy to expand by 5.1 per cent in 2025 and 4.9 per cent in 2026 (IMF, 2025; AfDB, 2025; World Bank, 2025).

The countries highlighted above represent key trading partners for the Western Cape. Economic conditions and outlooks in these nations directly influence trade and tourism flows to the Province, with broader implications for the economic health of both the Western Cape and South Africa. While growth prospects in several major markets appear constrained, emerging opportunities in smaller markets such as Eswatini present promising avenues to broaden the Province's trade footprint and diversify its economic partnerships.

1.2.2 Global Inflation Outlook

Inflation is a global economic force that shapes financial conditions across borders, influencing trade dynamics, monetary policy decisions, and the cost of living worldwide.

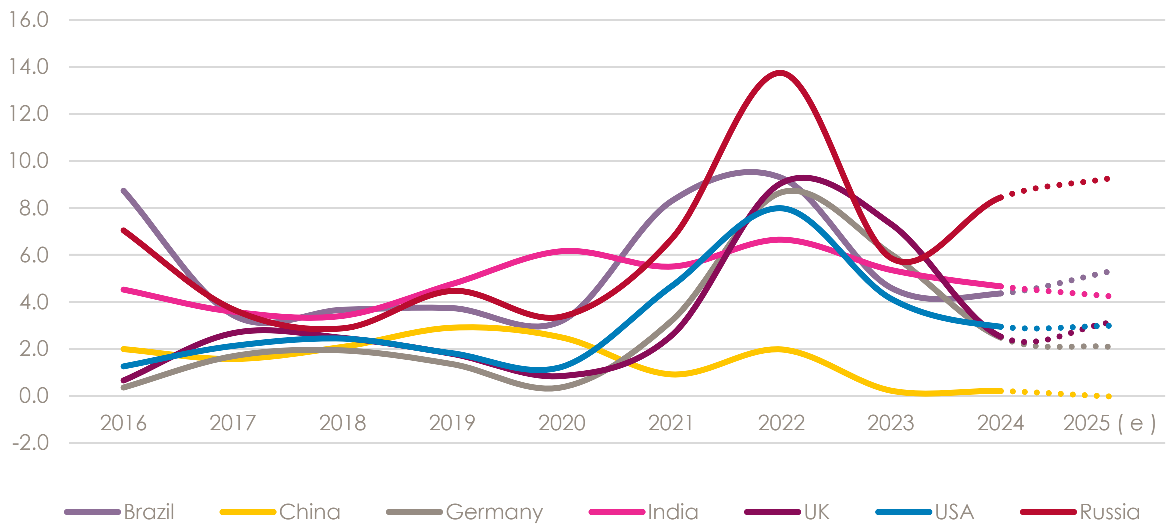
Global inflation continued to decline in 2025, with the IMF projecting a global headline inflation rate of 3.4 per cent, down from 4.0 per cent in 2024 and 5.6 per cent in 2023 (United Nations, 2025). This disinflation trend reflects easing commodity prices and tighter monetary policies across major economies.

Lower global inflation reduces uncertainty, attracting capital to emerging markets like South Africa, which tend to strengthen the local currency. Furthermore, with lower global interest rates associated with lower inflation, international borrowing becomes cheaper as lenders see less risk. In addition, lower global inflation lowers the cost of imports, boosts local consumer buying power, and promotes economic growth and investment.

In **Advanced economies**, inflation is stabilising near central bank targets. The Eurozone recorded an inflation rate of 1.9 per cent in May 2025, while the United States reported 2.4 per cent, slightly above the Federal Reserve's 2.0 per cent target (Deloitte, 2025; U.S. Inflation

Calculator, 2025). Despite easing headline inflation[4], core inflation[5] remains elevated, driven by persistent services inflation and strong wage growth, with rates at 2.8 per cent in the U.S. and 2.3 per cent in the Eurozone (CNBC, 2025; Deloitte, 2025).

Figure 1.1 Inflation rates for selected countries, 2016 – 2025



Source: International Monetary Fund

Emerging and developing economies, particularly in Africa and Western Asia, continue to experience higher inflation. Some countries are facing double-digit inflation rates, primarily due to elevated food and energy prices (World Bank, 2025). Although these prices are expected to moderate, the effects of currency depreciation, climate shocks, and import dependency remain significant inflationary drivers in low-income regions (United Nations, 2025; World Bank, 2025). China continues to grapple with deflation, recording -0.1 per cent CPI in April 2025. A gradual recovery to 0.5 per cent is expected by year-end, contingent on domestic stimulus efforts and the effects of U.S. tariffs (Focus Economics, 2025; Swiss Re, 2024).

Key Inflation risks for 2025

Despite a broader disinflation trend, several factors threaten global inflation trajectories. Proposed U.S. tariffs could elevate U.S. inflation and disrupt global trade (International Monetary Fund, 2025). The International Monetary Fund projects that these policies may reduce global trade growth, straining supply chains and increasing costs for consumers and businesses worldwide.

Geopolitical tensions in the Middle East fuelled a 6 per cent oil price increase in early 2025, heightening inflation expectations (United Nations, 2025). Additionally, climate-induced disruptions, such as droughts and flooding affecting agricultural yields, exacerbate food price volatility. Persistent services inflation, fuelled by sustained real wage growth in developed economies, further complicates efforts to stabilise prices (World Bank, 2025).

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[4] Headline Inflation: This measures the overall change in the price level of a broad basket of goods and services in an economy, typically tracked by the Consumer Price Index (CPI). It includes volatile items like food and energy, making it sensitive to short-term price swings (Investopedia, 2024).

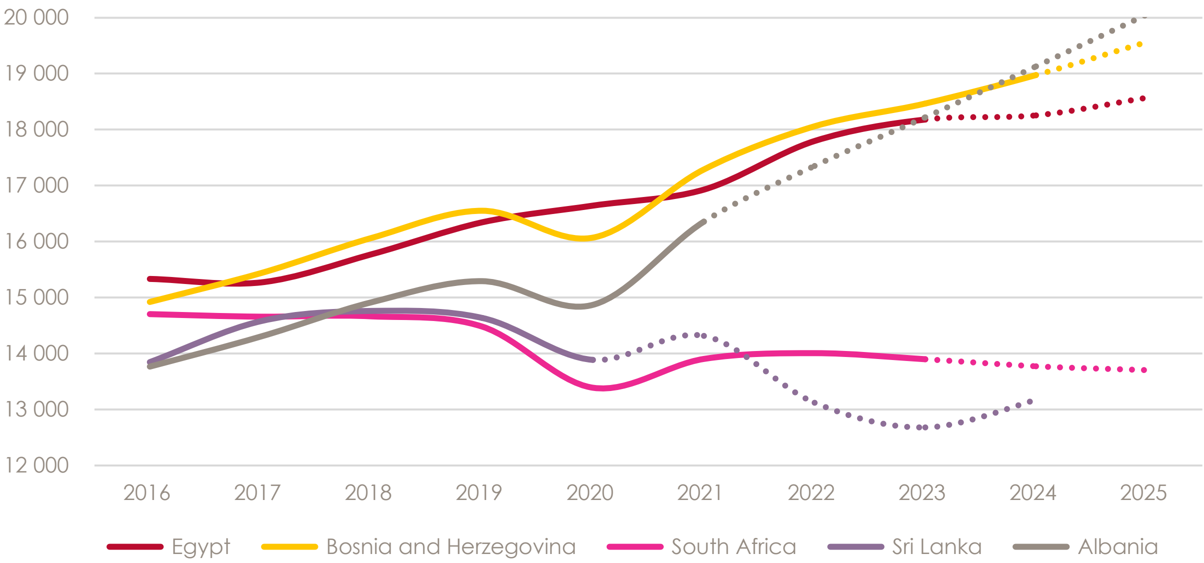
[5] Core Inflation: This gauges price changes excluding volatile components like food and energy. It focuses on more stable items to reveal underlying, persistent price trends (Investopedia, 2025).

1.2.3 Policies toward improved economic wellbeing

This section examines the interplay between economic policies and economic wellbeing, as measured by GDP per capita. It explores how fiscal, monetary, and trade policies shape income levels, productivity, and living standards across nations. By assessing their impacts, the analysis highlights which strategies foster sustainable growth and which may exacerbate disparities, offering insights into effective policymaking for enhancing economic prosperity.

GDP per capita is a robust indicator of a society's economic capacity and group well-being, offering a standardised measure that reflects the opportunities available to a collective for achieving economic and social goals. Its growth indicates improved societal capabilities, even if individual welfare distribution varies. While GDP per capita is a valid indicator of group well-being, it's only one aspect, and policymakers must use it to promote broader social goals, not just economic growth (C Kaminitz, S, 2023).

Figure 1.2 Gross Domestic Product per capita of selected countries in international dollars (PPP), 2015 - 2024



Source: International Monetary Fund

Note: Estimations after: Egypt (2023); Bosnia and Herzegovina (2023); South Africa (2023); Albania (2021); Sri Lanka (2020)

A decade long comparison of countries with similar GDP per capita in 2016, shows that South Africa's GDP per capita is estimated to have declined by 6.8 per cent when measured in international dollars[6]. In sharp contrast, countries such as Albania (45.7 per cent), Egypt (21.2 per cent), and Bosnia and Herzegovina (31.1 per cent) achieved notable progress during the same period.

[6] 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 (Investopedia, 2024).

Albania's Ascent: Unleashing a Decade of Economic Dynamism

Albania's economy has undergone significant changes over the past decade, marked by strategic planning and increased global integration that have contributed to growth in GDP per capita and overall economic wellbeing. A key driver of this growth has been the expansion of the tourism sector, with visitor numbers rising from 6.4 million in 2019 to 12 million in 2024, accounting for 47.4 per cent of GDP. This surge was fuelled by transformative infrastructure projects, such as the €142 million Llogara Tunnel (2024) and Vlora Airport (2025), which opened Albania's stunning landscapes to a 56 per cent increase in tourist arrivals (Çekrezi, 2023; Albanian Times, 2025).

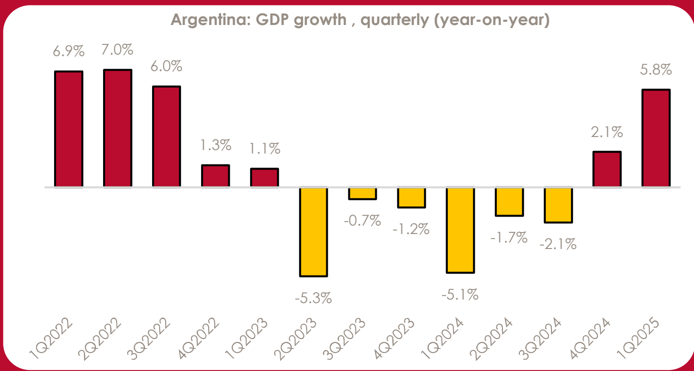
Complementing these developments, the "Go Your Own Way" digital campaign captured global imaginations, sparking a 387 per cent rise in holiday searches and positioning Albania as a vibrant, must-visit destination (Adido Digital, 2024). These efforts were underpinned by reforms tied to Albania's 2014 EU candidacy, which strengthened governance, rule of law, and public safety, making the country a secure haven for travellers and driving a 94.2 per cent visitor increase in January 2023 alone (Euractiv, 2023; UN Tourism, 2024). By aligning with EU standards, Albania not only enhanced its appeal but also laid a foundation for broader economic stability.

This tourism-driven momentum seamlessly interlocks with robust foreign direct investment (FDI) and prudent economic policies, creating a virtuous cycle of growth. FDI soared to €1.5 billion in 2023, catalysed by the 2015 Law on Strategic Investments, which offered tax incentives and fast-tracked permits for high-impact projects in construction and hydropower, such as the Devoll hydropower plant and Tirana's urban redevelopment (Frasheri & Efremov, 2022; Albanian Times, 2024). Progress toward EU accession, from candidacy in 2014 to negotiations in 2022 - 2023, ensured macroeconomic stability, with inflation holding at 2.2 per cent and public debt at 59 per cent of GDP, fostering investor confidence and sustaining 4 per cent GDP growth (Sejko, 2024; U.S. Department of State, 2024; Kreston Global, 2024).

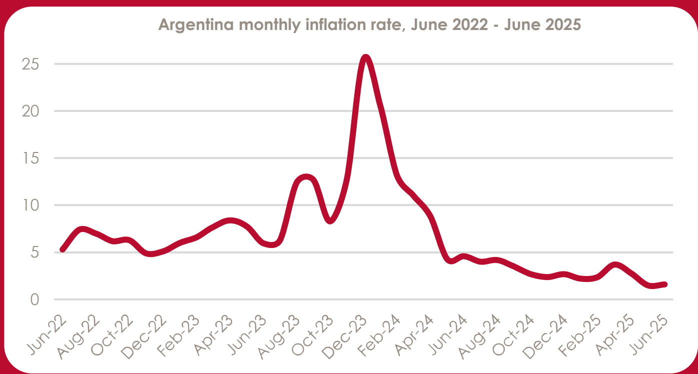
Post-2016 judicial reforms, including rigorous vetting of judges, elevated Albania's Corruption Perceptions Index ranking from 110th to 98th by 2023, further bolstering investor trust and aligning with EU accession goals (Emerging Europe, 2024). Furthermore, prudent fiscal policies trimmed public debt to 59.2 per cent of GDP by 2023, creating a stable economic environment (World Bank, 2024). Meanwhile, substantial remittances flowed into private consumption and real estate, particularly in Tirana, reinforcing domestic growth and tying Albania's economic threads into a cohesive narrative of resilience and ambition (Gedeshi & King, 2021; The Growth Lab, 2022).

Argentina's Bold Economic Overhaul

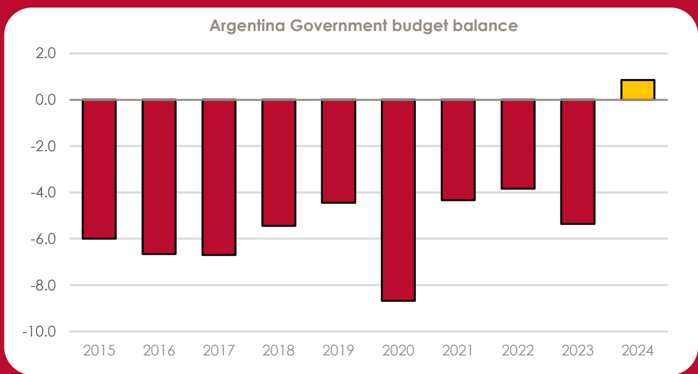
Argentina's economy is undergoing a radical transformation under President Javier Milei, who took office in December 2023 with a libertarian blueprint to tackle chronic financial turmoil. His zero-deficit policy, unprecedented in over a century, has cut public spending on wages, pensions, and subsidies, achieving an annual primary fiscal surplus of 0.3% of GDP in 2024, a sharp contrast to the -4.4% deficit in 2023 (FocusEconomics, 2025).



Argentina's economy grew 5.8% year-on-year in the 1st quarter 2025, rebounding from a -1.7% full-year decline in 2024, boosted by 11.6% private consumption growth and a recovering agricultural sector, despite ongoing inflation and austerity challenges (TradingEconomics, 2024; Reuters, 2025).



Argentina's inflation, once soaring at 300% annually, is being reined in through a 120% peso devaluation and a 2% monthly fixed depreciation rate, slashing monthly inflation from 25.5% in December 2023 to 1.6% by June 2025. President Milei's austerity measures, including subsidy cuts, further stabilised prices, fostering economic confidence despite social tensions (Central Bank of Argentina, 2024; Reuters, 2025).



Argentina's fiscal surplus in 2024, the first in over a decade, resulted from President Milei's austerity measures, including sharp cuts to public spending and subsidies. These reforms reduced public debt to 85.3% of GDP in 2024, down from 155.4% in 2023, fostering macro-economic stability and investor confidence. (IMF, 2024; Reuters, 2025; Bloomberg, 2025).

Argentina's "Ley Bases" law, passed in June 2024, deregulates markets, privatises firms like Aerolíneas Argentinas, and simplifies labour and import rules, drawing $2.5 billion for lithium mining and $3 billion for an oil pipeline (Argentine Congress, 2024; Financial Times, 2024). The Regime of Incentive for Large Investments offers 30-year tax and forex breaks, but policy reversals risk deterring investors (Argentine Government, 2024; Mining Weekly, 2025). These reforms have curbed inflation, yet poverty persists at 38.1%, affecting 11.3 million people (INDEC, 2025).

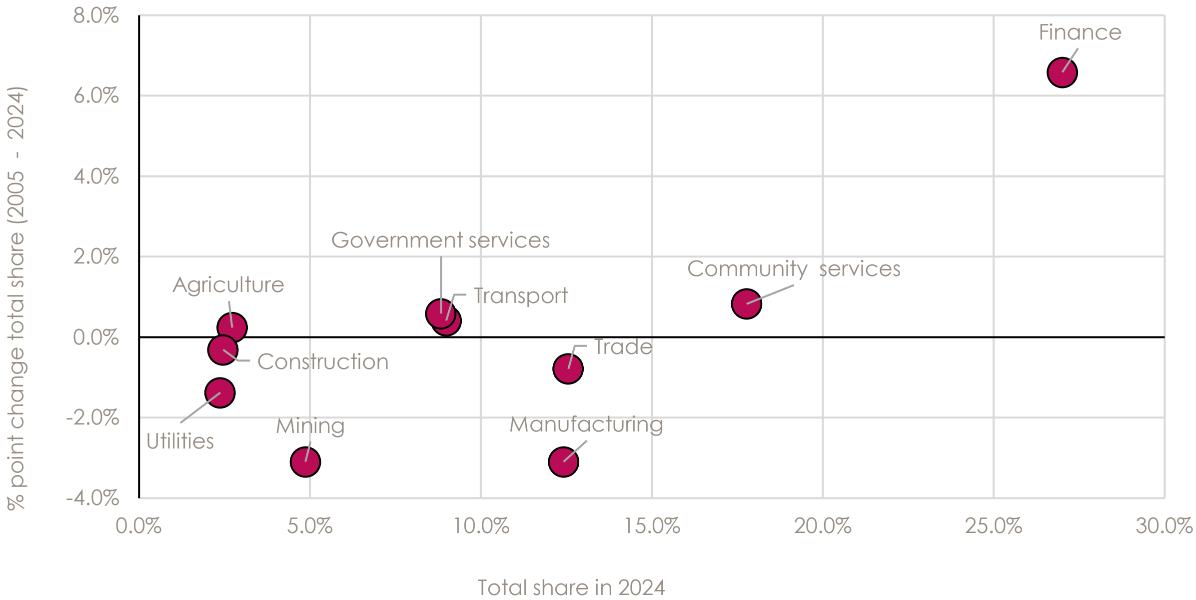
1.3 South Africa's Economy in Slow Motion: Sluggish Growth, Emerging Trade Risk, and Ebbing Investments

1.3.1 Performance of the South African economy

Factories Falter, Finance Soars: South Africa's Economic Shift

South Africa's factories are shutting down, stunting economic progress. Deindustrialisation has slashed manufacturing's GDP share to 12.4 per cent by 2024, down by 3.1 percentage points since the start of 2005. What sparked this deindustrialisation? A combination of policy errors, rising costs, and global pressures has contributed to South Africa's premature deindustrialisation (Andreoni, 2021). Neoliberal reforms in the mid-1990s, including the adoption of the Growth, Employment and Redistribution (GEAR) program, dismantled protections like tariffs and subsidies, exposing local firms to intense global competition (Bond, 2000).

Figure 1.3 GDP share for sectors in 2024 and change since 2005 per sector in South Africa



Source: Quantec, Own calculations

Cheap imports, especially from Asia, flooded markets and hollowed out industries like textiles and clothing (Hausmann et al., 2022). Furthermore, Eskom's excessive price hikes have crippled manufacturers, inflating costs far beyond headline inflation, while poor infrastructure, such as the backlog of 79 vessels at Durban's port in 2023, hindered production (Black et al., 2023).

The Finance sector[7] has solidified its dominance in South Africa's economy, boosting its contribution by 6.6 percentage points since 2015 to account for 27.0 per cent of national GDP in 2024. Academic research highlights that premature deindustrialisation occurs when developing and emerging economies begin losing their manufacturing base at much lower income levels than advanced economies. This phenomenon is largely driven by trade openness in countries that lack coherent trade and industrial policies. As a result, the shrinking share of manufacturing undermines labour productivity, weakens competitiveness, and

[7] Finance, real estate and business services.

reduces economic resilience. These effects have an adverse impact on long-term productivity and potential economic growth (Özçelik & Özmen, 2023).

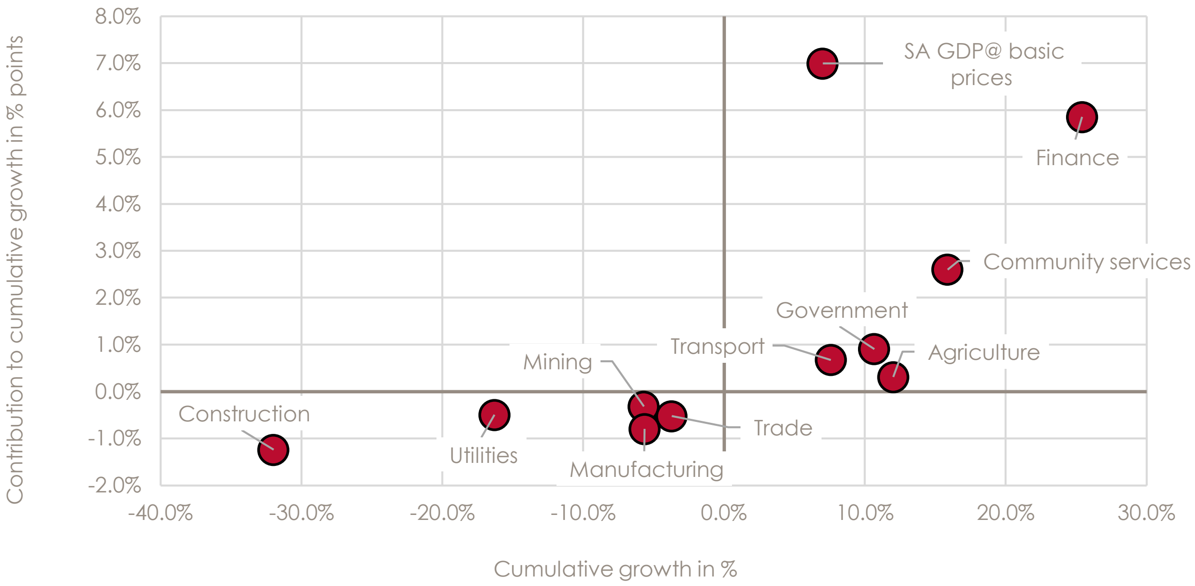
Manufacturing drives stronger multiplier effects through robust supply chains and labour-intensive processes, generating greater employment and economic activity per unit of output compared to services (McMillan & Rodrik, 2011). For instance, manufacturing's interconnections, such as steel supporting construction, amplify growth, whereas services like finance, despite high productivity, often concentrate benefits among skilled urban professionals (Glaeser & Resseger, 2010).

South Africa's Economic Rut: Structural Flaws Hobble Progress

The South African economy remained stagnant in 2024, posting modest growth of just 0.5 per cent; marginally less than the average growth rate of 0.7 per cent over the past decade. The National economy evidently suffers from structural economic challenges of which unreliable electricity supply; ailing water and transport infrastructure; high unemployment and inequality; weak governance; and limited economic diversification are among the most notable.

Between 2015 and 2024, South Africa's GDP at basic prices increased by only 7.0 per cent, far below the level required to keep pace with population growth (14.9 per cent) or absorb the expanding labour force (23.7 per cent). As a result, South Africa has been unable to make any progress in reducing high unemployment, high crime rates, or the escalating national debt.

Figure 1.4 Cumulative GDP growth and contribution to growth per sector in South Africa, 2015 - 2024



Source: Quantec, Own calculations

The ***Finance sector*** made the largest contribution (5.9 percentage points) to South Africa's 7.0 per cent cumulative growth over the past decade. The Sector's remarkable performance can largely be attributed to technological innovations like API platforms[8], robotic automation[9],

[8] **Application Programming Interface** platforms enable different software systems to share data and work together. In banking, insurance, and real estate, they help connect systems to streamline services like data sharing, claims processing, and property listings (CFTE, 2025).

[9] **Robotic automation** uses software to perform routine tasks. It improves efficiency in banking and insurance by handling processes like onboarding, data entry, and claims, reducing delays and errors (Cardinal, 2024).

telematics[10], and digital claims systems[11] which ignited a productivity revolution in South Africa's banking, insurance, and real estate sectors, slashing costs, accelerating processes, and redefining operational excellence.

Despite declining in GDP over the past two years, South Africa's **Agriculture sector**[12] expanded significantly by 12.0 per cent the past decade, though its smaller size limited its growth contribution to only 0.3 percentage points of total economic growth. The Sector also benefited from technological advancements, including precision farming, drones, and Internet of Things (IoT) sensors, such as Aerobotics' crop monitoring, which boosted commercial farm yields by 10 to 20 per cent (Department of Science and Innovation, 2024a; Mhlanga, 2023). Furthermore, genetically modified and drought-tolerant maize varieties increased smallholder yields by 15 to 25 per cent, enhancing resilience (Department of Science and Innovation, 2024b).

However, the Agriculture sector also faced severe challenges, which included droughts and floods, slashing yields by up to 30 per cent, alongside escalating input costs (World Bank, 2024). Additionally, farmers were also exposed to poor infrastructure, including unreliable electricity and transport, which disrupted operations, while policy uncertainty and slow land reform eroded investor confidence (AgriSA, 2024).

Over the past decade, South Africa's **Construction sector** faced serious obstacles that hampered growth and efficiency. Load-shedding and port congestion, including delays of 79 vessels in Durban in 2023, have increased costs and slowed project timelines; while poor road conditions and public sector inefficiencies have further contributed to the decline in its GDP (University of Pretoria, 2024; GlobalData, 2025).

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[10] **Telematics** is a technology that collects and sends data from vehicles using global positioning systems and sensors. In the insurance sector, it is used to track driving behaviour, distance travelled, and vehicle performance. This information helps insurance companies offer personalised premiums and improve risk assessment (Geotab, 2025).

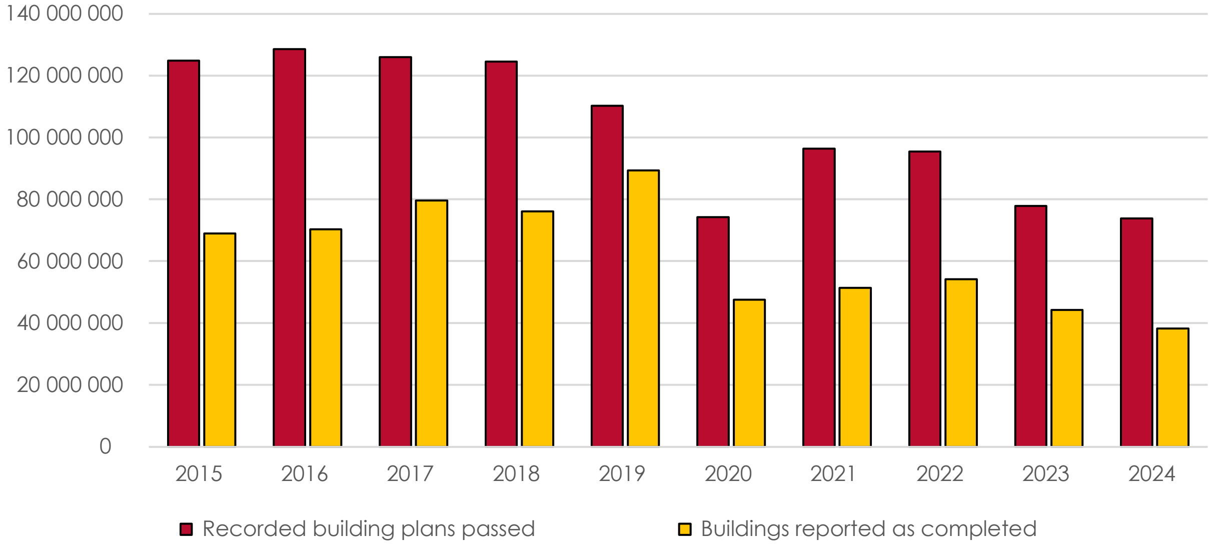
[11] **Digital claims systems** are online platforms that allow people to submit and track insurance claims without paperwork. These systems guide users through the claims process, often with the help of mobile apps or websites. They make the process faster, more accurate, and easier to manage for both insurers and clients (Duck Creek, 2024).

[12] Agriculture, forestry and fishing

In addition, crime, corruption, and regulatory issues continue to undermine progress. Construction mafia extortion and widespread corruption have stalled projects, while unclear procurement rules and policy uncertainty have weakened investor confidence (KH Plant, 2024; Engineering News, 2022, 2023). As a result, the Sector's GDP declined the most significantly by 32.0 per cent.

However, although the Construction sector faced notable challenges, the Sector's poor performance is also a reflection on the weakening of investment sentiment in South Africa. Fixed investment, particularly in infrastructure, is a key driver of growth in South Africa's Construction sector, as it fuels demand for projects like roads, ports, and energy facilities. Increased capital expenditure on such projects stimulates construction activity, creates jobs, and boosts related industries, though underinvestment and delays in recent years have constrained the sector's potential.

Figure 1.5 Real value of building plans and completed buildings in South Africa, 2015 - 2024



Source: Quantec, Own calculations

The dire situation of South Africa's Construction sector is also evident in its declining trend in real value of building plans and buildings completed the past decade. In 2024, South Africa's real value in building plans (-40.8 per cent) and its real value of buildings recorded as completed (-44.6 per cent) were significantly lower than in 2015.

Over the past decade, South Africa's **Mining sector** has been battered by intertwined challenges that have curbed its growth. Crippling infrastructure failures, like Eskom's unreliable power and Transnet's faltering rail and port systems, have throttled production and exports, while regulatory uncertainty from shifting Mining Charter rules and B-BBEE mandates has deterred investors. As a result, the National Mining Sector GDP contracted by 5.7 per cent over the same period.

South Africa's **Manufacturing sector** also faced significant challenges the past decade, with the electricity crisis emerging as a major constraint. Frequent load shedding and rising tariffs have severely disrupted production, particularly in energy-intensive industries, forcing many firms to rely on costly generators. Furthermore, demand for locally manufactured goods has declined sharply, both domestically and internationally. While investment had previously driven growth in key industries like metals, it has dropped considerably, further weakening the sector. In addition, South African manufacturers have lost global market share, signalling a decline in competitiveness. Moreover, the Manufacturing sector's presence has diminished in less economically resilient regions, deepening geographic inequalities. As a result, the Manufacturing sector's GDP declined by 5.6 per cent over the past decade (Fortunato, 2022).

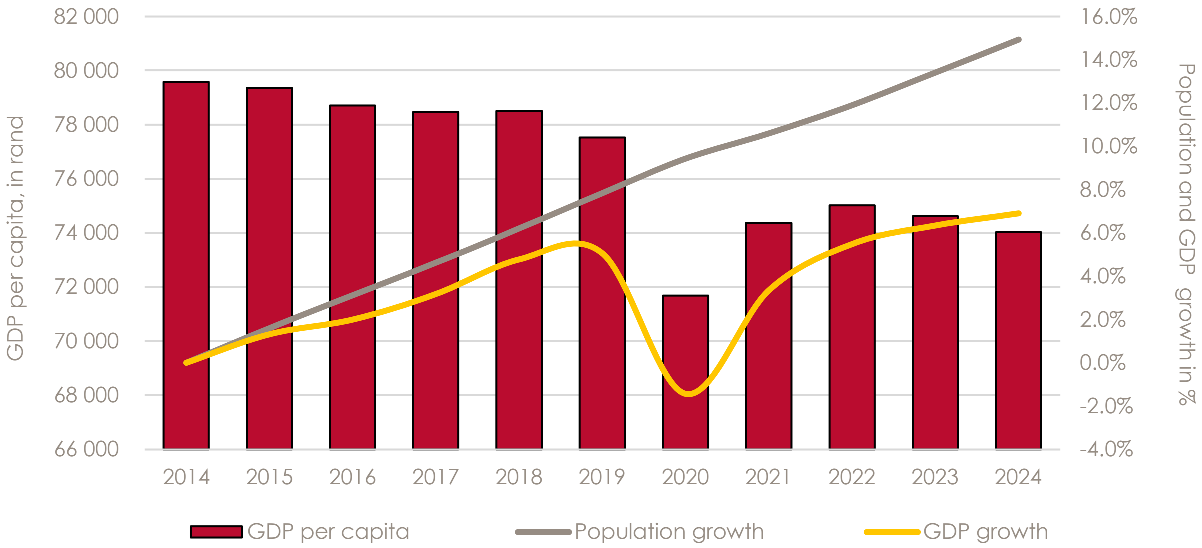
Over the same period, the **Utilities sector's**[13] GDP plummeted by 16.3 per cent, crippled by neglected maintenance and insufficient infrastructure investment. Between 2015 and 2024, South Africa faced severe and interlinked challenges in its water and electricity sectors, driven by aging infrastructure, mismanagement, and insufficient investment. Widespread electricity blackouts disrupted water treatment and pumping, compounding water shortages and triggering public health risks such as cholera outbreaks (Financial Times, 2025), (AP News, 2023).

Many urban and rural communities experienced water outages for days due to both infrastructure failure and electricity disruptions (Reuters, 2024). Academically, studies confirm that this water-energy nexus has made each system more vulnerable, with one failure amplifying the other (Mchunu et al., 2023), (Water Research Commission, cited in Frost & Sullivan, 2016). These failures not only strained basic services but also eroded public trust, triggered political backlash, and increased reliance on private solutions like solar power (Al Jazeera, 2024).

GDP per Capita

South Africa's sluggish economic growth and persistent structural constraints have a direct bearing on the country's GDP per capita, reflecting a broader failure to improve individual prosperity and living standards of citizens. Understanding trends in GDP per capita thus offers a clearer lens into the economic pressures faced by ordinary South Africans amid systemic inefficiencies.

Figure 1.6 Real GDP per capita, population growth and GDP growth in South Africa, 2015 - 2024



Source: Quantec, Own calculations

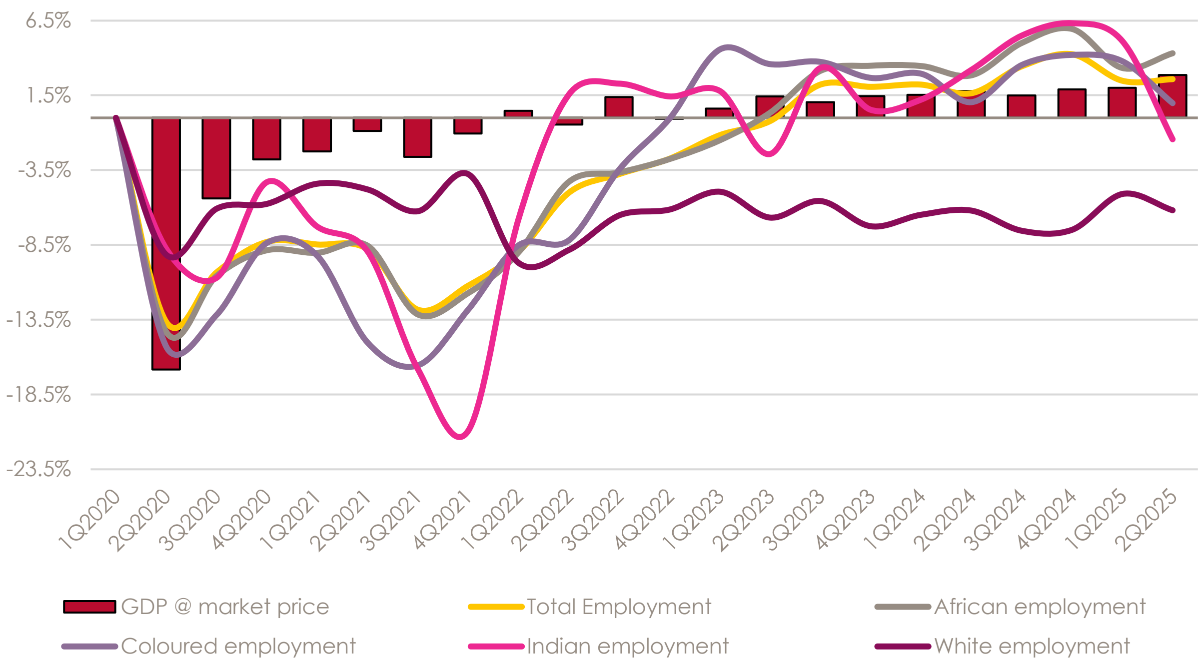
[13] Electricity, gas and water.

Between 2015 and 2024, South Africa's GDP per capita contracted by 7.0 per cent from R79 576 at the start of 2015 to R74 023 in 2024. The decline was an outcome of the National population growth (14.9 per cent) exceeding GDP growth[14](6.9 per cent). Over the period, South Africa's GDP per capita reached its lowest level in 2020 at R71 679, due to COVID-19 lockdown measures being enforced by the South African Government.

COVID-19 recovery

The COVID-19 pandemic and the stringent lockdown measures implemented to contain it dealt a severe blow to the global economy, with South Africa being no exception. Mandatory business closures, restricted movement, and disrupted supply chains led to sharp contractions in output, widespread job losses, and increased fiscal strain. As a result, the National economy contracted by 6.2 per cent in 2020 but recovered in 2021 and 2022 with growth rates of 4.9 per cent and 2.1 per cent respectively.

Figure 1.7 South Africa's cumulative recovery in GDP and employment, 1Q2020 - 2Q2025



Source: Quantec, Own calculations

Between the 1st quarter of 2020 and the 2nd quarter of 2025, the South African economy expanded by 2.8 per cent while employment growth was 2.6 per cent. The African population group (4.3 per cent) had the highest employment growth followed by the Coloured population (1.0 per cent), while employment among the White (-6.2 per cent) and Indian population groups (-1.4 per cent) were lower compared to the pre-COVID lockdown In the 1st quarter of 2020. The decline in employment among the White population group can largely be attributed to a declining working population (-6.6 per cent) and labour force (-6.1 per cent) over the same period.

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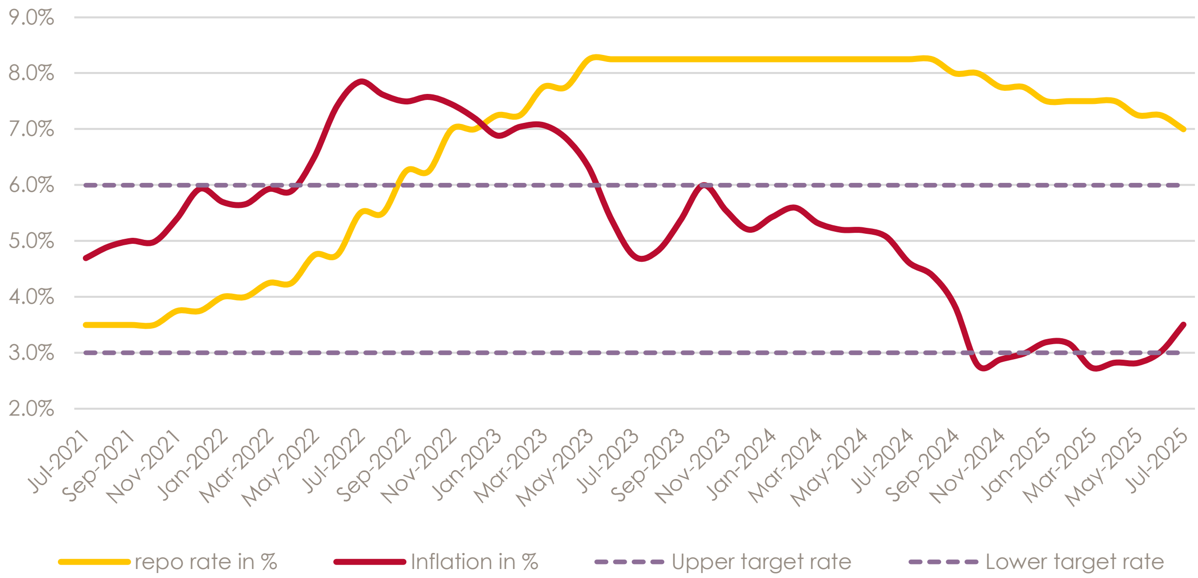
[14] Measured in market prices.

1.3.2 Inflation in the South African economy

Measuring inflation is vital for understanding the health and direction of an economy. It reflects changes in the general price level of goods and services over time, influencing purchasing power, interest rates, and wage negotiations. Accurate inflation data helps policymakers, businesses, and consumers make informed decisions, while also guiding central banks in setting monetary policy to ensure economic stability and growth.

Figure 1.8 Headline inflation and repo rate for South Africa, July 2021 - July 2025



Source: Quantec, Own calculations

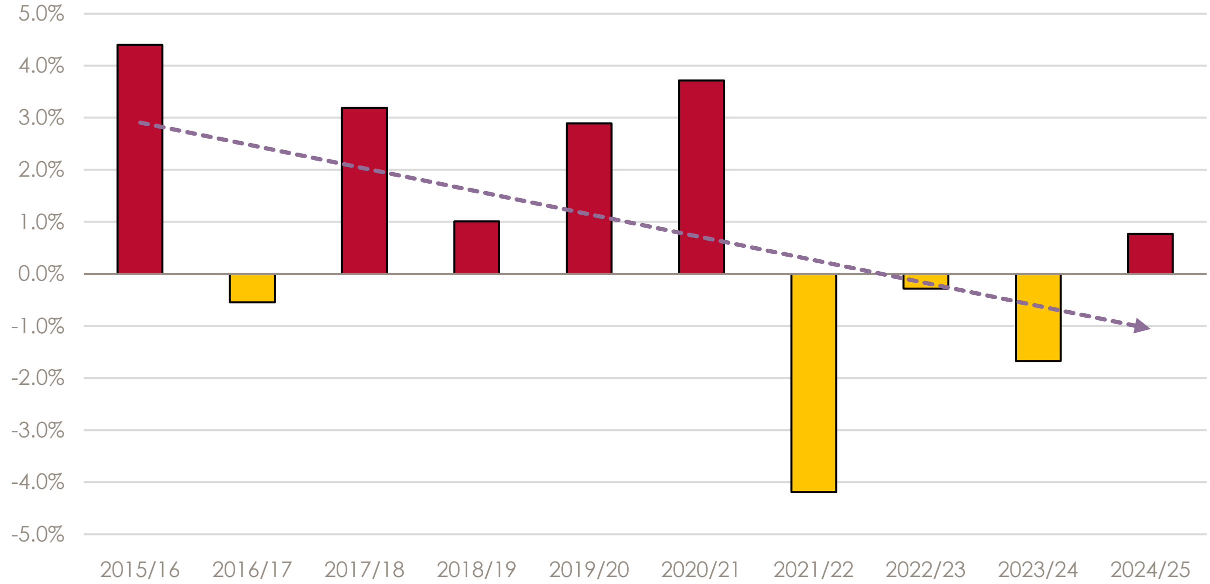
Marking an unofficial shift in policy, the governor of the South African Reserve bank (SARB) has hinted that the Monetary Policy Committee (MPC) will now anchor inflation forecasts at 3 per cent and target the lower end of the official target range of 3 to 6 per cent.

In July 2025, South Africa's inflation rate stood at 3.5 per cent, 0.5 percentage points higher than the previous month, but still close to the lower target range (3.0 per cent) of the South African Reserve Bank (SARB). By the end of July 2025, the SARB lowered the repo rate by 25 basis points for the fifth time since September 2024 to 7.0 per cent.

The recent repo rate cut by the MPC was driven by a notable decline in core inflation, a stronger rand, and easing global oil prices. These factors have reduced inflationary pressures, creating room for monetary easing to support South Africa's subdued economic growth. Looking ahead, further rate cuts will depend on the pace of structural reform implementation, global trade dynamics, and the ability to anchor inflation expectations amid ongoing exchange rate volatility.

Inflation erodes the real value of the Provincial Government's budget, driving up the cost of goods, services, and wages. As fixed allocations lose purchasing power, departments face pressure to reduce or delay spending, undermining service delivery and infrastructure investment.

Figure 1.9 Annual real budget growth of the WCG, 2015/16 - 2024/25

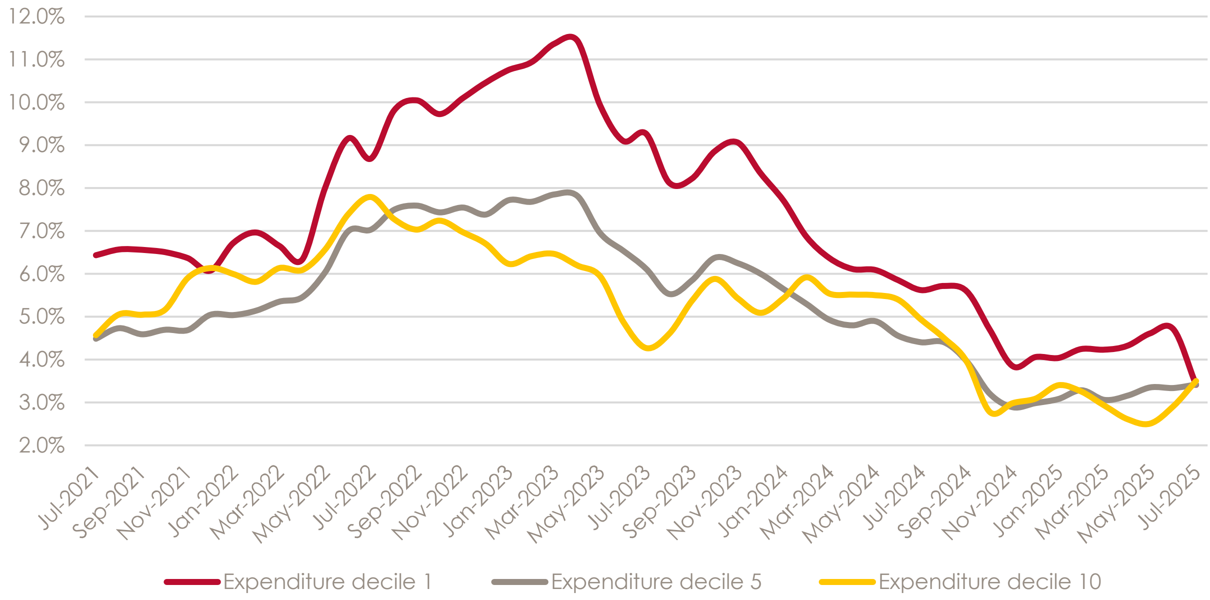


Source: Quantec, WCG, Own calculations

In recent years, the Western Cape Government's (WCG) budget came under severe pressure as reflected by the real budget declines in three of the last four financial years. The increased budget pressure is also reflected by the deteriorating average real budget of the WCG over the second five years (-0.3 per cent) when compared to the first five years (2.2 per cent) of the decade. The WCG real budget increased by 0.8 per cent in 2024/25, marginally lower than the average over the past decade (0.9 per cent).

Inflation affects income groups in markedly different ways, with lower-income households often suffering most, as they spend a greater proportion of their income on essentials like food, transport, and energy, items most vulnerable to price increases.

Figure 1.10 CPI trend per expenditure decile in South Africa, July 2020 - July 2025

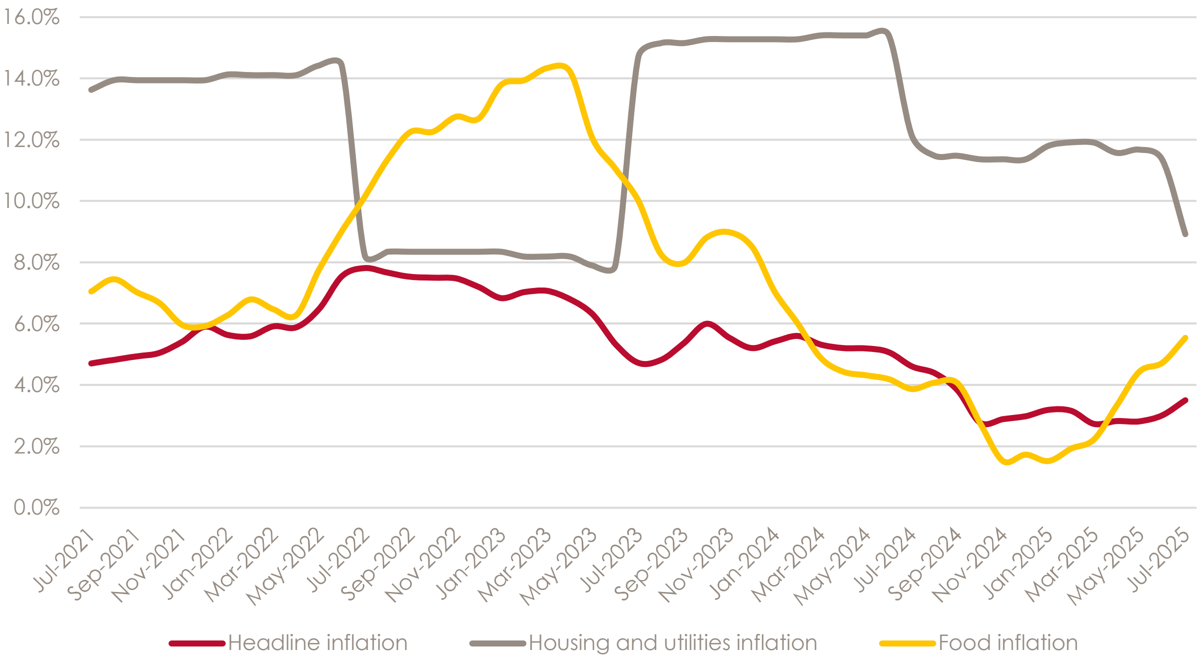


Source: Quantec, Own calculations

Expenditure decile 1, which represents the poorest households, was exposed to the highest average inflation levels over the five-year period (7.2 per cent), while expenditure decile 10 was subjected to lower average inflation (5.2 per cent) over the same period. However, in July 2025 the inflation for the lowest expenditure decile (3.4 per cent) and highest expenditure decile (3.5 per cent) converged and were almost identical.

The underlying cause of higher inflation for poor households can be attributed to spending a greater share of their income on essentials such as food, housing, electricity, fuels and transport, which tend to experience faster price increases. In contrast, wealthier households spend more on services and discretionary goods, which usually have more stable prices. As a result, inflation erodes the purchasing power of lower-income groups more severely, deepening inequality.

Figure 1.11 Headline, food and housing and utilities inflation in South Africa, July 2021 – July 2025



Source: Quantec, Own calculations

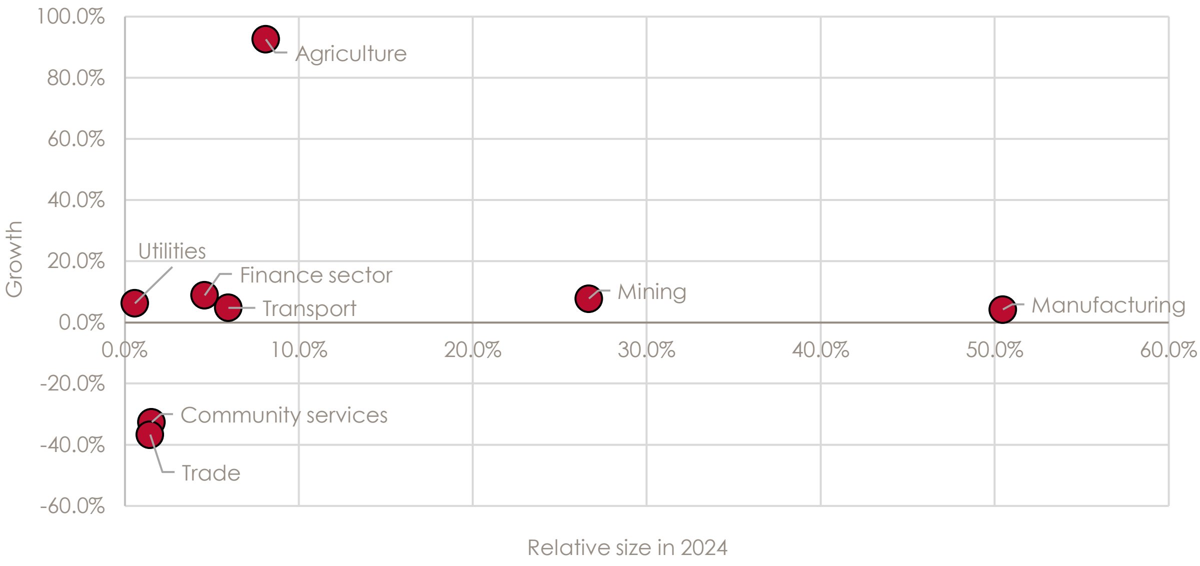
In July 2025, food inflation surged to 5.5 per cent, 0.8 percentage points higher than the previous month, while housing and utilities inflation at 8.9 per cent was significantly higher than headline inflation over the same period. However, housing and utilities inflation[15] declined significantly by 6.5 percentage points from 15.4 per cent in July 2024. The decline in housing and utilities inflation can largely be attributed to a decline in the oil price over the same period combined with the rand's stability against the US dollar.

1.3.3 Trade performance of the South African economy

Trade is the lifeblood of a thriving economy, enabling countries to access goods, services, technology and resources beyond their own borders. It fosters competition, drives innovation and efficiency, and opens markets for domestic producers to scale and grow. By linking economies through the flow of exports and imports, trade strengthens global ties, supports job creation and enhances consumer choice, making it a cornerstone of sustained economic growth and resilience.

[15] Includes Electricity, gas and other fuels.

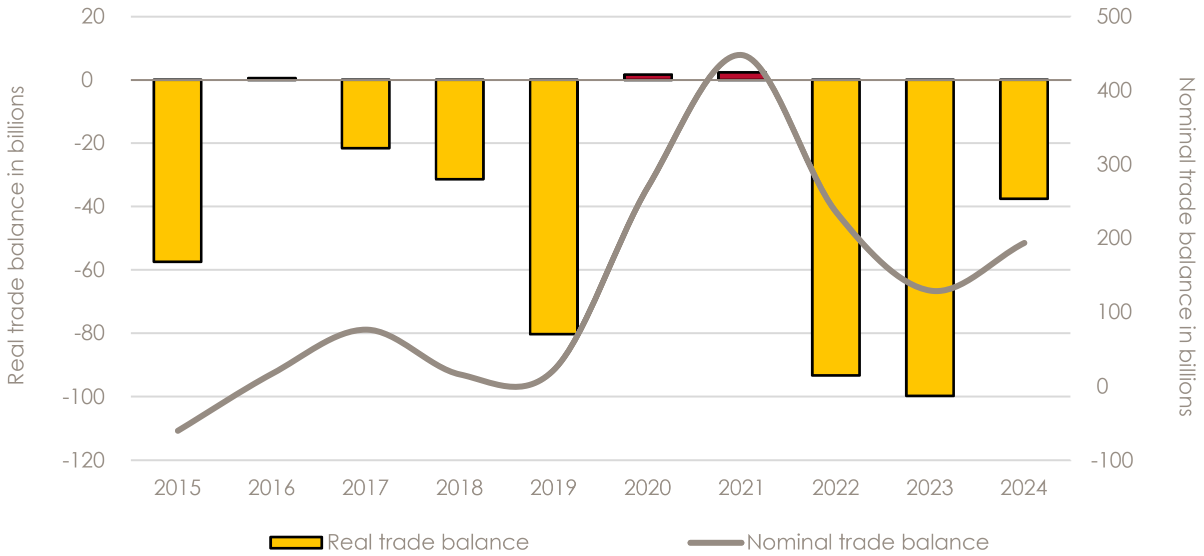
Figure 1.12 Real export performance per sector in South Africa, 2015 - 2024



Source: Quantec, Own calculations

In 2025, the Manufacturing sector made the largest contribution to total real exports at 50.5 per cent, followed by the Mining (26.7 per cent) and Agriculture sectors (8.1 per cent). However, between 2015 and 2024 the Agriculture sector's real export growth was an outlier, increasing significantly by 92.6 per cent. In contrast, the Manufacturing (4.2 per cent) and Mining sectors (7.8 per cent) expanded only marginally over the same decade.

Figure 1.13 Nominal and real trade balance for South Africa, 2015 - 2024



Source: Quantec, Own calculations

Between 2015 and 2024, South Africa retained a mostly positive nominal trade balance, reaching a peak in 2021 (R447.9 billion). A substantial increase in South Africa's nominal trade balance in 2021 was primarily driven by a surge in export values, particularly from commodities such as platinum group metals, iron ore, and coal. This was fuelled by a global commodity price boom in the aftermath of COVID-19 lockdowns, as demand rebounded strongly while supply chains remained constrained. The weaker rand during parts of the year also enhanced the competitiveness of South African exports. Meanwhile, domestic demand for imports remained relatively subdued due to slow economic recovery, further contributing to the positive trade balance. In 2024, South Africa's nominal trade balance was still 56.7 per cent lower than 2021.

However, over the same period, South Africa had mostly negative real trade balances. A negative real trade balance (trade deficit in real terms) implies that a country's import volumes exceed its export volumes, indicating dependence on foreign goods and services. This can suggest weak domestic production capacity, competitiveness issues, or strong domestic demand met by foreign suppliers. Persistently negative real trade balances may increase external debt, weaken the local currency, and expose the economy to external shocks, ultimately affecting macroeconomic stability and growth prospects.

Trump's Tariff Gambit: A New Trade Storm for South Africa

The United States, under President Donald Trump, imposed steep tariffs on South African imports, effective April 2025, with a further hike planned for August 1, 2025. A 10% tariff applies to all imports, with a 30% tariff targeting South African goods, citing "reciprocal" trade balancing. These measures nullify African Growth and Opportunity Act (AGOA) benefits, previously granting duty-free access for over 6,000 products like citrus, wine, and vehicles. Critical minerals (platinum group metals, gold, manganese, chrome) are exempt, reflecting U.S. manufacturing needs (Brand South Africa, 2025; Minerals Council South Africa, 2025).

Agriculture (citrus, macadamia), automotive, steel, and aluminium sectors face severe strain from the 30% tariff and 25% Section 232 tariffs on automotive and metal products. The citrus industry, supporting over 35 000 jobs, risks losing U.S. market share, impacting smallholder farmers. The automotive sector, with $2.4 billion in 2024 U.S. exports, employs over 116 000 and faces reduced competitiveness for producers like Mercedes and BMW in the Eastern Cape (Parliament of South Africa, 2025; SA Chamber USA, 2025).

The tariffs pose a risk to South Africa's economic growth, with the National Treasury projecting a decline in GDP of 0.2 to 0.7 percentage points in 2025, potentially reducing growth from 1.8% to 1.1%. Export losses estimated between $2.4 billion to $3.8 billion could lower GDP by $1 billion to $1.5 billion. The manufacturing sector, which contributes 12% to GDP, faces a contraction of 3 to 5%, increasing the risk of recession amid subdued global demand. (J.P. Morgan Global Research, 2025).

With unemployment at 33%, the tariffs could cause job losses of 30 000 to 50 000 by mid-2026 in the automotive and agriculture sectors, worsening youth unemployment and rural inequality. Small businesses dependent on imported inputs may face increased costs, potentially leading to shedding 50 000 to 100 000 informal jobs. A rand depreciation of 10 to 15% could push inflation to 6 to 7%, driving up fuel and food prices.

South Africa is pursuing diplomacy to secure exemptions and diversifying trade via the African Continental Free Trade Area (AfCFTA), EU, and Asian markets. Logistics relief and export finance are planned, though high debt (73.1% of GDP) limits subsidies. Like Albania's market diversification, South Africa aims to mitigate shocks, but electricity shortages and structural issues pose challenges (Brand South Africa, 2025; World Bank, 2025).

China remains South Africa's largest trading partner, accounting for 10.8 per cent of all exports and 21.6 per cent of all imports in 2024. However, in 2024, Germany surpassed the USA as South Africa's second-largest trading partner[16]. This was largely due to a notable reduction in the share of imports from the USA from 8.6 per cent in 2023 to 6.5 per cent in 2024. The R17.820 billion reduction in imports from the USA represents 17.8 per cent in South Africa's total reduction in imports and is mainly attributed to a reduction in machinery (37.7 per cent), vehicles aircraft and vessels (34.5 per cent) and equipment components (16.4 per cent).

[16] Measured by adding the 2024 share of total exports and imports.

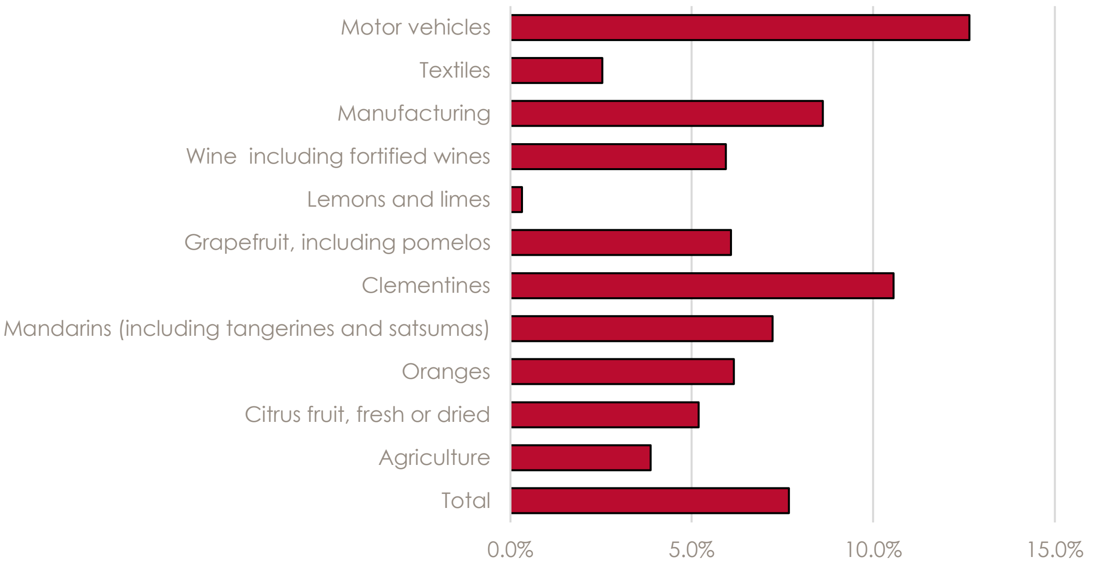
Table 1.2 Share of South Africa's major export and import destinations in 2024

Exports				Imports			
Rank	Country	Share in 2024	% Point change since 2015	Rank	Country	Share in 2024	% Point change since 2015
1	CN: China	10.8%	1.6%	1	CN: China	21.6%	3.3%
2	US: United States	7.7%	0.0%	2	IN: India	7.2%	2.3%
3	DE: Germany	7.5%	1.0%	3	DE: Germany	7.0%	(4.2%)
4	ZN: Not allocated	7.5%	0.8%	4	US: United States	6.5%	(0.5%)
5	MZ: Mozambique	5.8%	3.0%	5	TH: Thailand	3.2%	0.8%
6	GB: United Kingdom	4.9%	0.8%	6	OM: Oman	3.0%	2.4%
7	JP: Japan	4.4%	(0.5%)	7	AE: United Arab Emirates	2.9%	1.7%
8	IN: India	4.1%	0.2%	8	NG: Nigeria	2.5%	(1.0%)
9	BW: Botswana	3.9%	(1.2%)	9	IT: Italy	2.4%	(0.2%)
10	NL: Netherlands	3.8%	1.3%	10	SA: Saudi Arabia	2.4%	(0.6%)

Source: Quantec, Own calculations

In 2025, South Africa's exports came under pressure as the U.S. imposed steep new import tariffs under President Trump's second term. A general 10 per cent tariff in April 2025 quickly escalated to a targeted 30.0 per cent surcharge on South African goods by August 2025, hitting key exports like citrus, and vehicle components hard (Zonos, 2025; BudgetLab Yale, 2025). With the African Growth and Opportunity Act (AGOA) under threat and trade costs rising, South Africa faces mounting challenges in protecting access to the U.S. market.

Figure 1.14 Exports to United States as share of total exports from South Africa, 2024

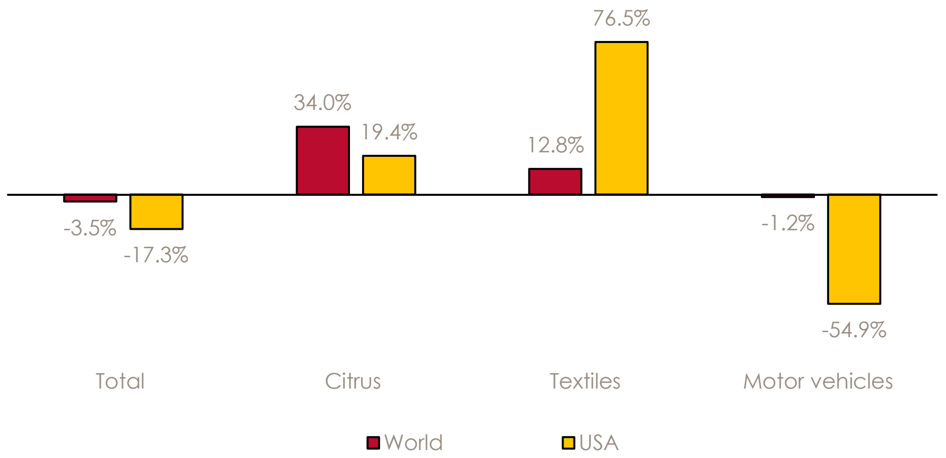


Source: Quantec, Own calculations

In 2024, South Africa's exports destined for the U.S. were 7.7 per cent of total exports. However, certain products such as motor vehicles (12.7 per cent) and clementines (10.6 per cent) were relatively more reliant on the U.S. markets as an export destination. Consequently, the Manufacturing sector, with a share of 8.6 per cent of total exports, was also relatively more exposed to U.S. markets.

A comparison of exports in the 2nd quarter of 2025 with the same period in 2024 for selected products benefiting from AGOA reveals that motor vehicle exports to the U.S. were the most adversely impacted, declining by 54.9 per cent. This significant decrease is attributed to the 10 per cent increase in import tariffs imposed by the U.S.

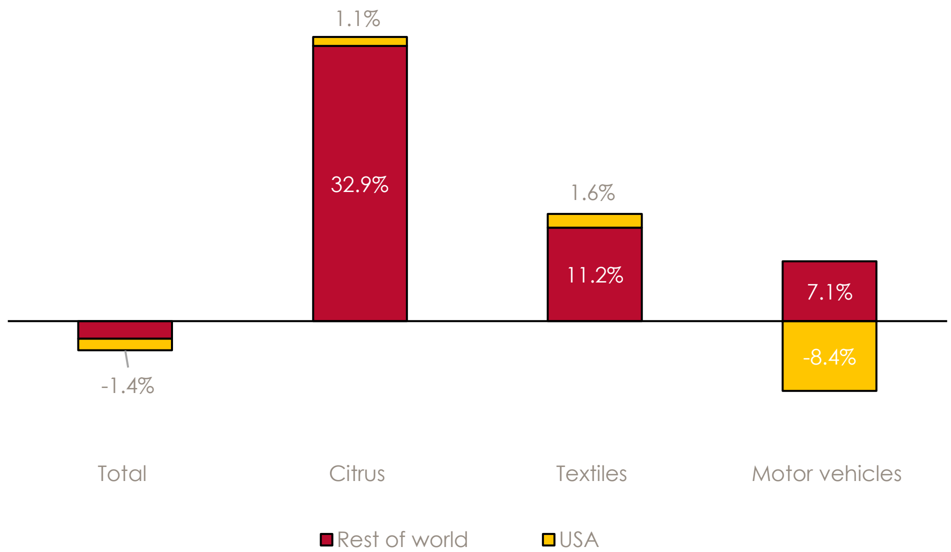
Figure 1.15 Percentage change in exports of citrus, textiles and motor vehicles from South Africa to the world and the USA, 2Q2024 vs 2Q2025



Source: Quantec, Own calculations

The decline in motor vehicle exports to the U.S. also had a significant impact on overall motor vehicle exports for the quarter, contributing -8.4 percentage points to the total decline of -1.2 per cent in motor vehicle exports.

Figure 1.16 Growth contribution in exports of citrus, textiles and motor vehicles from South Africa to the rest world and the USA, 2Q2024 vs 2Q2025



Source: Quantec, Own calculations

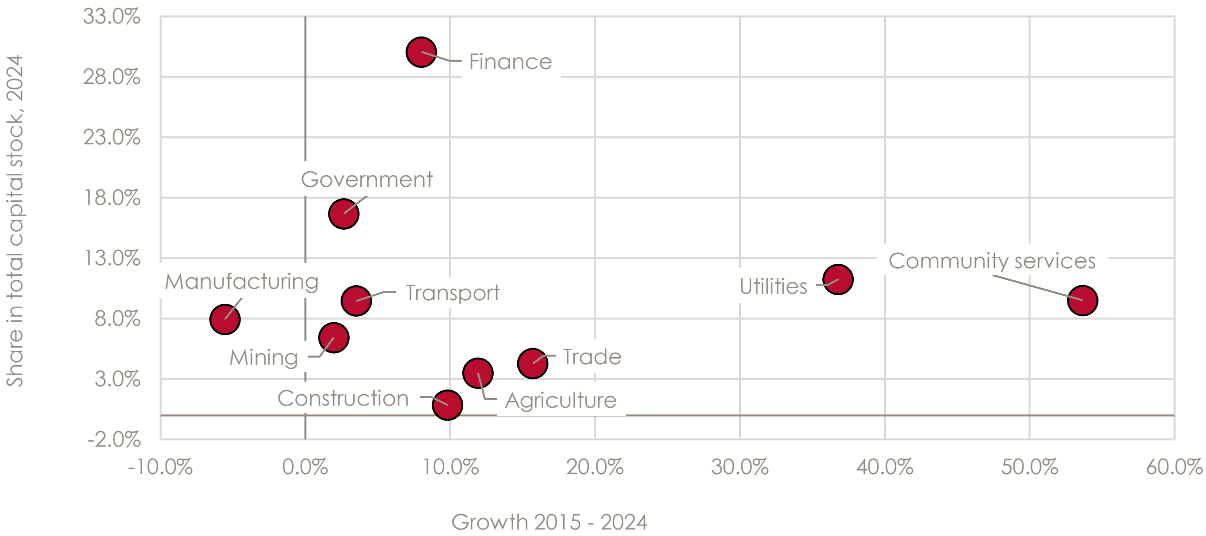
Overall, the 10 per cent import tariffs imposed by the U.S. in the 2nd quarter of 2025, are likely to have made a (-1.4 percentage point) contribution to the 2.1 per cent decline in exports from the same period in the previous year.

1.3.4 Fixed investment in South Africa

Fixed investment lies at the heart of long-term economic growth, providing the foundation for higher productivity, job creation, and improved living standards. By directing resources into infrastructure, machinery, and technology, fixed investment fuels innovation and expands an economy's productive capacity. It not only generates immediate demand through construction and manufacturing but also underpins future competitiveness, making it essential for any country aiming to sustain robust, inclusive development.

Growth in Fixed Capital Stock[17] (FCS) or Net Fixed Capital Formation (NFCF) measures the net increase in a country's stock of fixed assets over a specific period, after accounting for depreciation. It underscores the balance between new capital creation and the maintenance of existing infrastructure; reflects on investment in productive capacity like infrastructure, machinery, and buildings; and helps shape long-term economic prospects.

Figure 1.17 Fixed Capital Stock data per sector in South Africa, 2015 - 2024



Source: Quantec, Own calculations

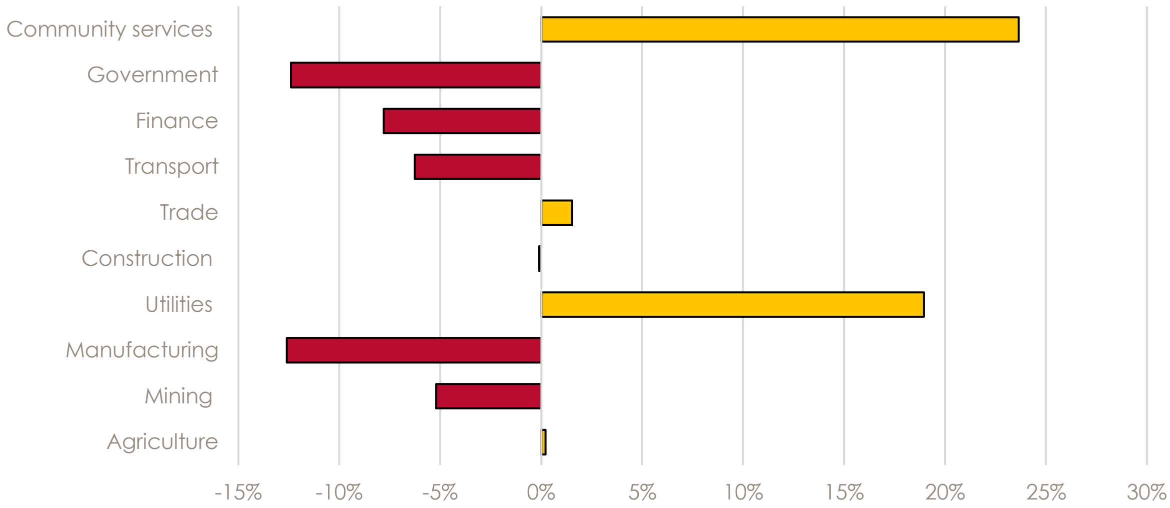
Between 2015 and 2024, South Africa's FCS increased by 11.1 per cent of which the Community Services (3.7 percentage points) and Utilities sectors (3.4 percentage points) made the largest contributions to growth, although the Manufacturing sector made a negative contribution of -0.5 percentage points to total growth in FCS.

Over the same period, Community services (53.7 per cent) and Utilities sectors (36.8 per cent) recorded significant growth in FCS, while the Manufacturing sector's FCS contracted over the same period.

To determine the over-or underperformance per sector, the contribution to total growth is offset by the relative size of the FCS of each sector. In this regard, Community Services (23.6 percentage points) and the Utilities sectors (18.9 percentage points) outperformed. Within the Community Services sector, Buildings and construction works, and Machinery and other equipment contributed most to overall growth (124.4 per cent), while in the Utilities sector, Building and construction works accounted for 99.5 per cent of FCS growth.

17 Measured in constant 2015 prices.

Figure 1.18 Comparison of Fixed Capital Stock growth contribution to relative size by sector in South Africa, 2015 - 2024

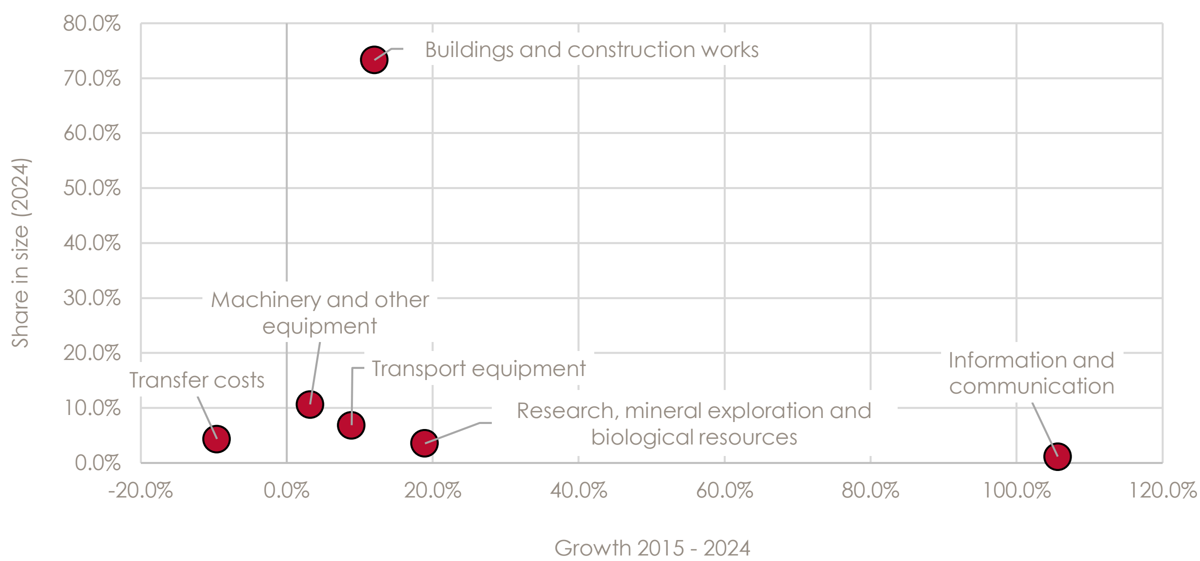


Source: Quantec, Own calculations

The sectors with the largest underperformance in CFS growth contribution to its relative size were the Manufacturing (-12.6 percentage points) and Government sectors (-12.4 percentage points). Within the Manufacturing sector, the main reason for the underperformance can be attributed to the decline of Buildings and construction works (-1.9 per cent) and Machinery and other equipment (-25.8 per cent) over the period. The Government sector's underperformance in CFS growth can be attributed to contractions in Machinery and other equipment (-5.4 per cent) and Transport equipment (-4.0 per cent).

In 2024, the largest portion of CFS was comprised of Buildings and construction works (73.3 per cent). This asset type would therefore also have the largest impact on overall growth in CFS. Between 2015 and 2024, Buildings and construction works increased by 12.0 per cent and contributed to 79.1 per cent of total FCS growth.

Figure 1.19 Fixed Capital Stock data by asset type in South Africa, 2015 - 2024



Source: Quantec, Own calculations

Between 2015 and 2024, FCS in Information and communication assets doubled, growing significantly by 105.6 per cent. The significant growth in Information and communication assets over the past decade is due to rapid advancements in mobile, internet, and Internet of things technologies. The surge in data usage from Artificial Intelligence, streaming, and digital services has driven investments in data centres and cloud computing. Digital transformation, remote work, cybersecurity needs, and government initiatives like SA Connect have accelerated Information and Communication Technology spending. The shift to intangible assets like software and frequent hardware upgrades further explains this growth.

Digital Surge: How AI, Streaming, and Cloud Computing Fuelled a Data Centre Boom

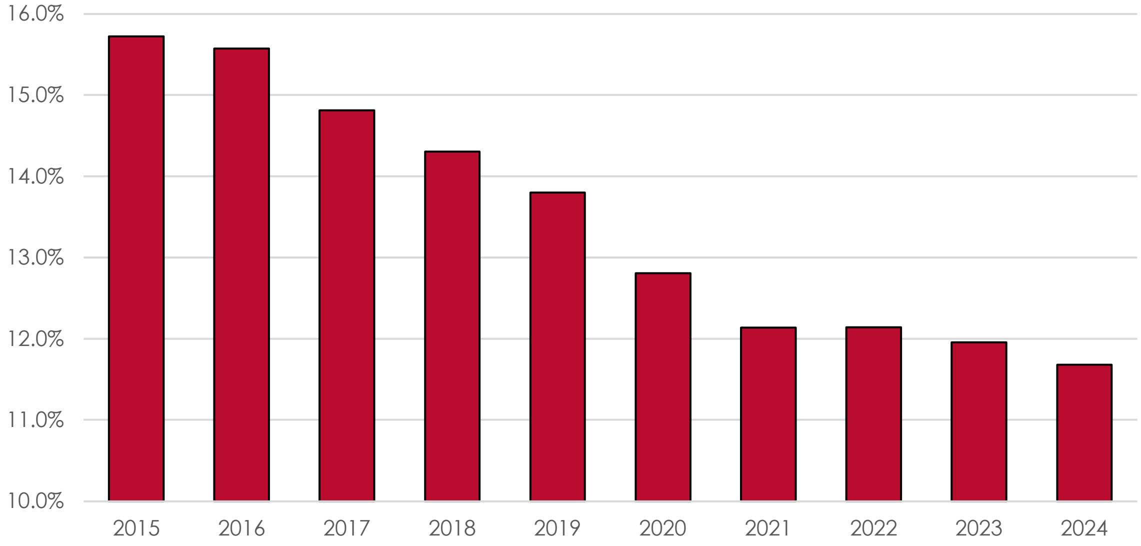
Over the past decade, artificial intelligence (AI), streaming platforms, and digital services have significantly driven investments in data centres and cloud computing, both globally and in South Africa. The exponential growth of AI applications, requiring immense computational power for machine learning and data processing, has spurred a 20% annual increase in global data centre capacity.

Streaming services like Netflix and Spotify, alongside digital platforms such as mobile banking and e--commerce, have amplified demand for robust cloud infrastructure to handle vast data volumes and ensure low-latency access (DataCenterKnowledge, 2024). In South Africa, hyperscale data centres by Amazon Web Services (AWS) and Microsoft in Cape Town have attracted substantial foreign direct investment, creating jobs and boosting GDP in the Western Cape's tech ecosystem (ITWeb, 2025).

These facilities support AI-driven analytics for local industries, including agriculture, enhancing export efficiency. However, South Africa's high electricity costs and grid constraints, exacerbated by load-shedding, pose challenges to scalability, mirroring global energy concerns in data centre expansion (BusinessTech, 2025). Investments in renewable energy, such as solar-powered data centres, are emerging as solutions to ensure sustainable growth, aligning with global trends toward green computing (DataCenterKnowledge, 2024).

Between 2015 and 2024, South Africa's Gross Fixed Capital Formation (GFCF) to Gross Domestic Expenditure (GDE) showed a downward trend declining from 15.7 per cent in 2015 to 11.7 per cent in 2024. The main reason for the declining ratio was a 15.8 per cent contraction in GFCF over the same period, of which building and construction works made an 18.06 percentage point contribution.

Figure 1.20 Gross Fixed Capital Formation to Gross Domestic Expenditure in constant 2025 prices in South Africa, 2015 - 2024

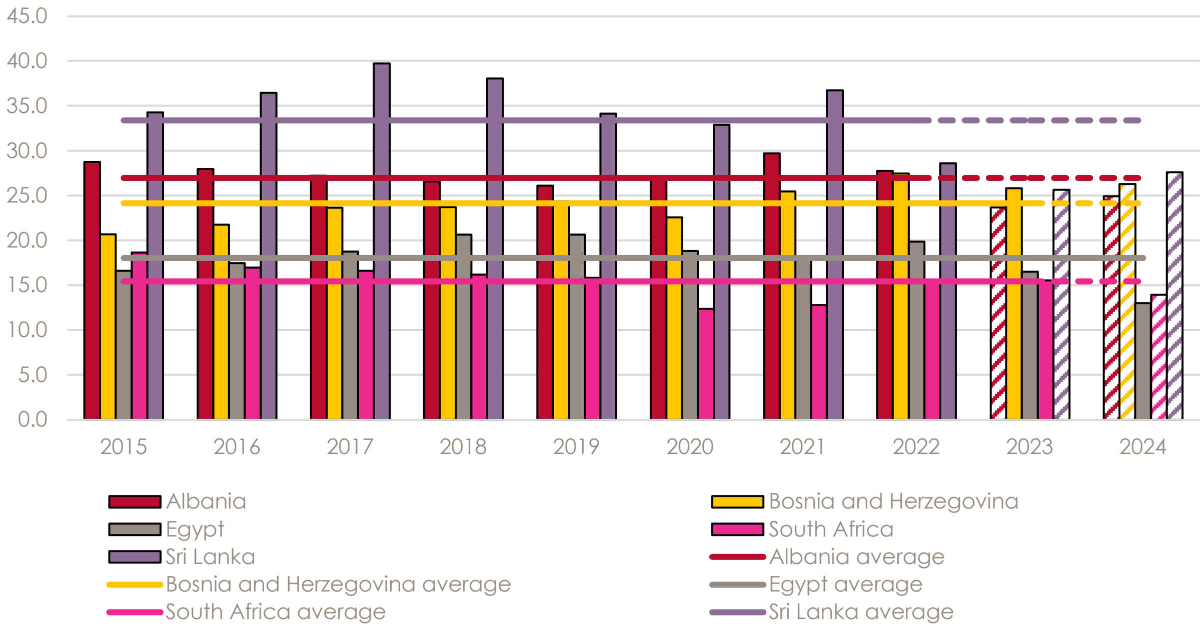


Source: Quantec, Own calculations

A declining GFCF as a share of GDE reflects reduced investment in machinery and buildings, critical for sectors like Construction, Manufacturing, and Mining. This leads to slower economic growth by limiting productive capacity, fewer jobs, and deteriorating infrastructure, which raises maintenance costs and hampers efficiency. In South Africa, this trend undermines competitiveness; risks increased inequality and reliance on imports; and ultimately threatens long-term development.

When Fixed investment is compared between countries with similar GDP per capita, South Africa reflects the lowest average Fixed investment to GDP ratio at 15.4 per cent between 2015 and 2024, whereas Sri Lanka has the highest average Fixed Investment to GDP ratio at an estimated 33.4 per cent in 2024.

Figure 1.21 Fixed investments to GDP by selected countries, 2015 - 2024



Source: International Monetary Fund

With the exception of Sri Lanka, mainly as a result of its 2022 economic crisis[18], all countries with a higher fixed investment to GDP ratio showed growth in GDP per capita over time. This infers a general positive correlation between higher investment in fixed assets (like machinery, buildings, and infrastructure) and increased economic output per person, implying that such investments enhance productivity, economic capacity, and living standards.

Sri Lanka's economic mismanagement and political instability have disrupted its economic growth despite high fixed investment to GDP ratios. The Rajapaksa government's policies, including unsustainable borrowing for projects like the Hambantota Port, 2019 tax cuts reducing government revenue by US $1.4 billion annually, and a 2021 organic farming policy banning chemical fertilizers, led to a foreign currency crisis, a 2022 debt default, and inflation peaking at 69.8 per cent (World Bank, 2023; Central Bank of Sri Lanka, 2022). Mass protests in 2022, driven by food and fuel shortages, forced President Gotabaya Rajapaksa and Prime Minister Mahinda Rajapaksa to resign, deepening political instability (BBC News, 2022). Corruption, nepotism, and weak fiscal oversight further eroded investor confidence and blocked GDP per capita growth (International Monetary Fund, 2023).

[18] Sri Lanka's economy was subjected to a record 7.3% contraction. Triggered by depleted foreign reserves, a sovereign debt default, and soaring inflation, the crisis led to fuel and food shortages, mass protests, and political upheaval (World Bank, 2024).

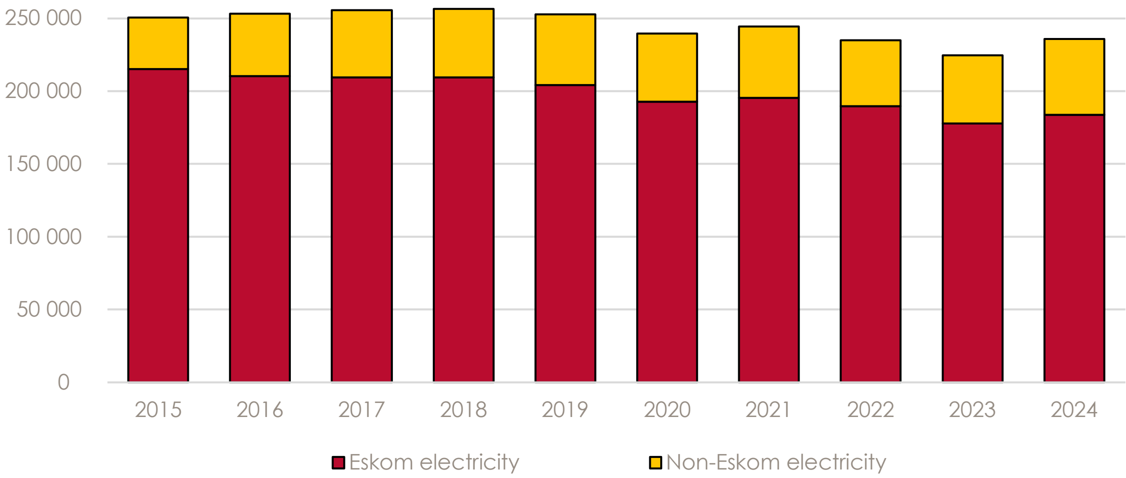
1.3.5 Powering Progress: South Africa's Battle to Overcome Energy Constraints

South Africa's electricity crisis, marked by frequent "load shedding" since 2007, has long challenged its economy and society, driven by an aging coal-reliant grid, mismanagement, and corruption at Eskom. Yet, 2024 brought a glimmer of hope with over 300 consecutive days without power cuts, thanks to increased renewable energy adoption, private sector investment, and Eskom's operational recovery efforts. Despite these strides, the nation's quest for a stable, sustainable power supply remains critical, with vulnerabilities still threatening progress.

In 2024 and 2025, South Africa saw a significant reduction in load-shedding days, largely due to Eskom's Generation Recovery Plan and improved operational performance. In March 2024, Eskom suspended load-shedding, initiating a prolonged period of uninterrupted power supply (Eskom, 2024). April 2024 marked the country's first full month without load-shedding since early 2022 (Eskom, 2024).

While February 2025 continued without power interruptions, Stage 3 load-shedding was reintroduced briefly from 7 to 10 March 2025 due to unexpected plant failures causing a generation shortfall (Engineering News, 2025). Although the risk of load-shedding has significantly decreased, particularly during the summer months, Eskom's outlook for 2025 warned of possible shortfalls exceeding 2 000 MW (BusinessTech, 2025). Despite this, the overall outlook remains cautiously optimistic, reflecting substantial progress in stabilising the electricity supply (BusinessTech, 2025).

Figure 1.22 Total electricity produced in South Africa: Eskom and non-Eskom producers, 2015 - 2024



Source: Quantec

Between 2015 and 2024, total electricity production ready for distribution in South Africa declined by 7.4 per cent. The reduction was mainly a result of a 16.6 per cent reduction in Eskom electricity production over the same period, whereas non-Eskom electricity production increased substantially by 50.8 per cent.

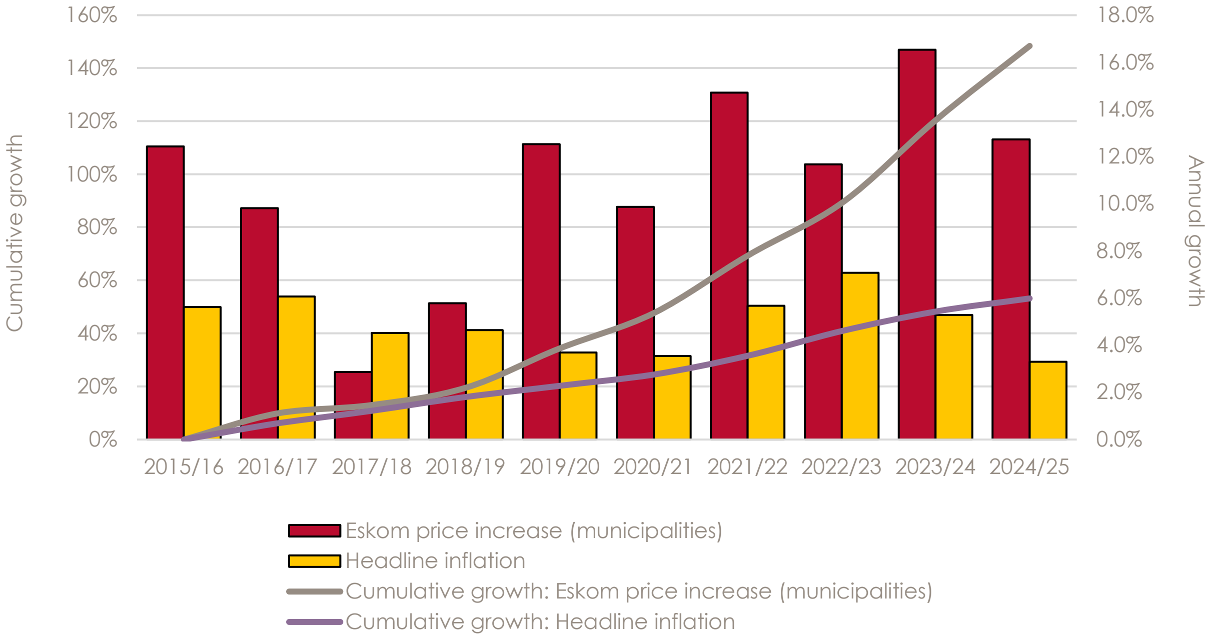
South Africa's electricity landscape is rapidly evolving beyond the Eskom monopoly, ushering in a new era of energy diversification and resilience. Independent Power Producers are playing a pivotal role through initiatives such as the Renewable Energy Independent Power Producer Procurement Programme, contributing over 6 200 MW to the grid by 2024 (Department of Mineral Resources and Energy, 2024). Furthermore, rooftop solar has surged among households and businesses, with embedded generation capacity exceeding

5 000 MW, almost doubling between 2022 and 2024 (Council for Scientific and Industrial Research, 2024).

Large-scale commercial and mining operations increasingly rely on self-generation, easing pressure on the national grid. Meanwhile, municipalities like Cape Town and Ekurhuleni are leading the way in procuring power directly from private producers, signalling a shift toward decentralised energy procurement (GreenCape, 2024). These developments mark a structural transition toward a cleaner, more competitive, and resilient power system.

Although much progress has been made in preventing electricity disruptions, rising electricity prices threaten South Africa's economic vitality and global competitiveness. Escalating energy costs inflate expenses in energy-intensive sectors like Manufacturing, Mining, and Agriculture, constraining production and job creation.

Figure 1.23 Electricity price inflation for municipalities in comparison to headline inflation, 2015/16 - 2024/25



Source: Quantec, Eskom, Own calculations

Between 2014/15 and 2024/25 Eskom's average price increases for local authorities increased by 148.4 per cent compared to headline inflation of 53.2 per cent over the same period. These above inflation price adjustments erode export cost advantages, exacerbate financial strain for businesses, and deter investment amid infrastructure and policy challenges. Without affordable, reliable energy, South Africa risks lagging in attracting capital and fostering inclusive growth.

1.3.6 Economic Outlook of South Africa

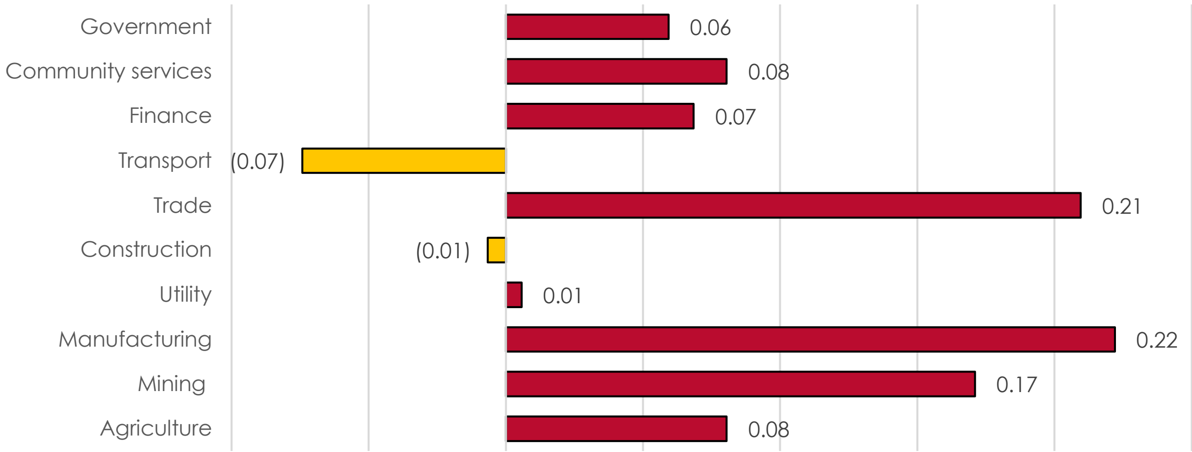
South Africa's economic growth prospects are shaped by a delicate balance of opportunities and challenges within an evolving global and domestic landscape. A comprehensive and insightful outlook is indispensable for discerning the key drivers and potential risks, thereby enabling policymakers and stakeholders to chart a well-informed course toward sustainable and inclusive growth. This focused analysis seeks to illuminate the complexities ahead and provide clarity on the economy's future trajectory.

In the 2nd quarter of 2025, South Africa's GDP expanded by 0.8 per cent from the previous quarter. The Mining sector expanded the most (3.7 per cent); supported by solid growth from the Agriculture (2.5 per cent), Manufacturing (1.8 per cent) and Trade sectors (1.7 per cent). The largest positive contributors to the Mining sector's quarterly expansion were platinum group metals (PGMs), gold and chromium ore.

As a result, the largest contribution to GDP growth was made by the Manufacturing sector (0.22 percentage points); followed by the Trade (0.21 percentage points) and Mining sectors (0.17 percentage points).

Negative growth contributions were recorded in the Transport (-0.07 percentage points), and Construction sectors (-0.01 percentage points). The Transport sector contracted by 0.8 per cent from the previous, largely due to decreased economic activities for land transport and transport support services.

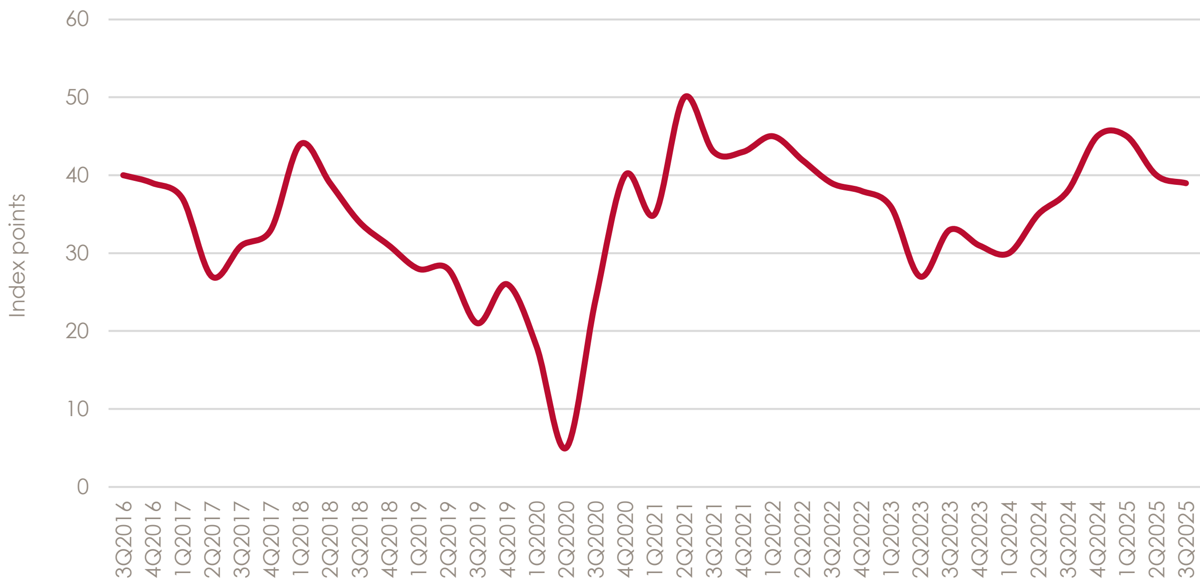
Figure 1.24 Real GDP growth contribution per sector for South Africa, 2Q2025 (in % points)



Source: Quantec, Own calculations

Business confidence indices serve as vital barometers of economic sentiment, offering a timely and insightful gauge of the business community's outlook. As leading indicators, they capture expectations around investment, production, and hiring well before these trends materialise in official economic data. By reflecting the collective mindset of entrepreneurs and industry leaders, business confidence indices provide a crucial lens through which policymakers, investors, and analysts can anticipate shifts in economic momentum and better navigate the uncertainties of the economic cycle. Their value lies not only in tracking current conditions, but in illuminating the path ahead for the broader economy.

Figure 1.25 RMB/BER Composite Business Confidence Index, 3Q2016 – 3Q2025



Source: Quantec

In the 3rd quarter of 2025, the RMB/BER Composite Business Confidence Index was 39 points, a point lower than the previous quarter. A business confidence index of 39 indicates low confidence among businesses. Since 50 is neutral, a score below this suggests pessimism. At 39, the majority of companies expect tougher economic conditions ahead, which may lead to reduced investment and hiring. This low sentiment can signal a potential slowdown in economic activity.

South Africa's economic outlook begins on a cautious note following a weak performance in the first half of the year and persistently low, declining business confidence in the 3rd quarter of 2025. These factors reflect ongoing uncertainties and structural challenges dampening investment and growth across many sectors. However, the Agriculture sector offers a brighter prospect, showing signs of recovery and resilience amid favourable weather conditions and improved global demand.

Table 1.3 GDP growth and contribution to growth forecast per sector in South Africa, 2025 and 2026

	Annual growth		Growth contribution	
	2025 (f)	2026 (f)	2025 (f)	2026 (f)
Agriculture	6.9%	2.4%	0.2	0.1
Mining	(2.7%)	(0.3%)	(0.1)	(0.0)
Manufacturing	(1.6%)	0.0%	(0.2)	0.0
Utilities	(1.5%)	(0.9%)	(0.0)	(0.0)
Construction	(3.9%)	(3.5%)	(0.1)	(0.1)
Trade	1.7%	1.1%	0.2	0.1
Transport	(1.2%)	1.8%	(0.1)	0.2
Finance	3.0%	2.7%	0.8	0.7
Community services	(0.4%)	1.6%	(0.1)	0.3
Government	0.0%	0.2%	0.0	0.0
South Africa GDP at market prices	0.7%	1.3%	0.7%	1.3%

Source: *Western Cape Provincial Treasury (September forecast)*

South Africa's **Agricultural sector** is poised for strong growth in 2025 (6.9 per cent), driven by a low base from 2024's drought-induced contraction, improved rainfall from La Niña[19], stable electricity, better dam levels, and lower feed prices boosting poultry recovery. Furthermore, a strong crop and horticulture performance, particularly in summer grains, oilseeds, sugar, and grapes, is supported by these conditions, despite livestock challenges.

The **Finance sector** is expected to contribute the most (0.8 percentage points) to overall GDP growth due to its significant economic weight and solid growth expectations of 3.0 per cent in 2025. The Sector's growth expectations are affected by expected continued monetary policy easing in 2025, with less debt defaults and higher credit growth, and improved AI efficiencies.

The **Construction sector** is expected to record the largest contraction (-3.9 per cent) in 2025. The poor expectations in the performance of the Construction sector reflect on the declining investor confidence, particularly in Gauteng province where the Johannesburg Metro faces deteriorating roads, faulty traffic lights, water losses, power outages, and a significant deeds office backlog in 2025. In the first six months of 2025, the Gauteng province recorded 21.3 per cent less building plans than the same period the previous year, while the value of Western Cape building plans increased by 20.3 per cent over the same period. Furthermore, the value of Gauteng's building plans was 25.3 per cent lower than the Western Cape's over the first six months of 2025 even though the Western Cape's economy is 2.4 times smaller than Gauteng's.

[19] La Niña conditions refer to a climate pattern characterised by cooler-than-average sea surface temperatures in the central and eastern equatorial Pacific Ocean, typically lasting 9 – 12 months. It is part of the El Niño-Southern Oscillation (ENSO) cycle and often follows or alternates with El Niño. In Southern Africa, including South Africa, La Niña typically brings above-average rainfall during the summer rainy season (October-March) (Farmers Weekly,2024).

The **Manufacturing sector** is expected to make the largest negative contribution to growth(-0.2 percentage points). The deindustrialisation of the South African economy, as analysed in this chapter, is projected to persist through 2025, further exacerbated by the impact of increased U.S. import tariffs on the Motor Vehicle industry, which pose significant challenges to the sector's competitiveness and export potential.

This pressure on the Manufacturing sector is exacerbated by significant electricity tariff hikes, which inflate operational costs, and faltering rail and port logistics, which disrupt manufacturing exports, eroding the Sector's competitiveness and profitability.

Overall, the South African economy is projected to maintain its modest growth trajectory seen over the past decade. Despite lower interest rates and strong anticipated performances from the Finance and Agriculture sectors; a weak performance in the first half of 2025; declining business confidence; persistent structural challenges such as worsening infrastructure; and escalating trade tariffs imposed by the U.S. are expected to limit growth. As a result, the economy is forecast to expand by only 0.7 per cent in 2025 and 1.3 per cent in 2026.

1.3.7 Risks to the South African Outlook

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

Global Tensions: Trade disputes and regional conflicts could shake investor confidence and disrupt markets.

Commodity Price Swings: Reliance on global markets for minerals and agriculture makes the economy vulnerable to price drops.

Energy Transition Hurdles: Delays in shifting to renewable energy could lead to supply issues at higher costs.

Water Shortages: Crumbling water infrastructure limits supply and quality, needing urgent investment.

Weak Governance: Corruption and poor service delivery slow development and scare off investors.

High Debt: Large government debt limits spending on infrastructure and services, risking financial strain.

Climate Challenges: Droughts and floods threaten farming, food security, and infrastructure, requiring costly green solutions.

Cyber Threats: Growing digital reliance opens the door to cyberattacks, which could disrupt banking and services.

1.4 Conclusion

South Africa faces several persistent challenges that weigh heavily on its economic outlook. Structural issues such as unreliable electricity supply and ageing, inadequate infrastructure continue to constrain key sectors like Mining, Manufacturing, and Construction. While inflation is broadly under control, its impact remains more severe for poorer households, who continue to face higher price pressures in essentials like food, housing, and utilities. Trade disruptions, notably from newly imposed tariffs by the United States, and fluctuating commodity prices further strain the economy. Despite progress in reducing load-shedding and growing resilience of the Agriculture and Finance sectors, overall business confidence remains low, dampening investment prospects. The outlook is cautiously optimistic, contingent on overcoming energy constraints, improving governance, and enhancing infrastructure investment to support sustainable growth and job creation.

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2

The Western Cape Economy

2.1 Introduction

The Western Cape Province continues to distinguish itself not only as a leading regional economy in South Africa but key contributor to the economic growth of the country. The Province is anchored by a strong services base, a vibrant innovative ecosystem, and a growing reputation as a magnet for talent and investment.

The Province is consistently performing better than the national average on many indicators, including per capita income and employment recovery. However, challenges remain, particularly around energy reliability and port efficiency. Yet there are encouraging developments: momentum in renewable energy investment and embedded generation is easing pressure on the grid, while ongoing collaboration and investment in port infrastructure are aimed at improving port productivity. Together, these developments are helping to support business activity and logistics performance.

THE WESTERN CAPE ECONOMY

OVERVIEW

The Western Cape Economy grew by 0.5% in 2024

Largest percentage point contributions:

Sector	Contribution
Finance Sector	1.2
Community Services Sector	0.2
Utilities Sector	0.1

Over the past decade (2015 - 2024), the Western Cape economy expanded by 8.3%, or at an average annual growth rate of 0.8%

Sectors with the largest cumulative growth:

Finance Sector	Community Services Sector	Government Sector	Agriculture Sector
26.6%	13.4%	11.1%	7.7%

Employment growth since 1Q2020

+9.7%

Exports

In 2024, the top three destinations were:

1 Netherlands 9.8%

2 United States 8.7%

3 United Kingdom 8.2%

Impact of the 10% U.S. tariff increase:

2Q2024 vs 2Q2025 Western Cape Exports:

World: +4%

U.S. -14.3%

Energy Resilience

819 MW of Small Scale Embedded Generation has been installed to date

Tourism

International: (2024)

- 932 831 overnight visitors
- Average spend: R17 000

Domestic: (2024)

- 3.458 million trips

The Western Cape Economy is expected to expand by 0.8% in 2025 and 1.3% in 2026

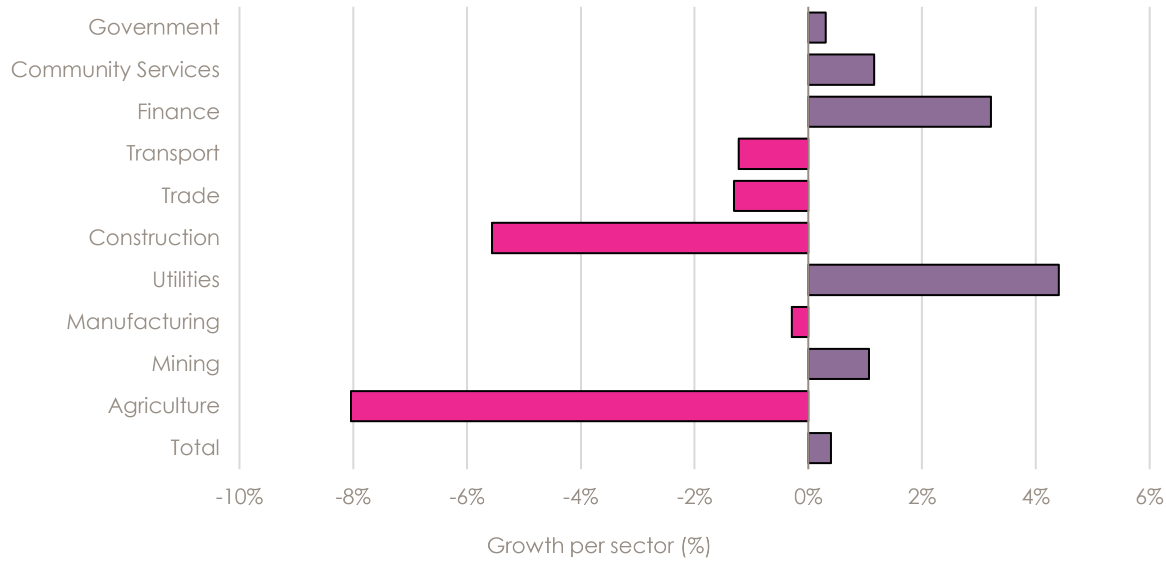
2.2 Developments in the Western Cape Provincial Economy

The Western Cape economy is characterised by its strong services orientation and anchored by a rapidly growing Finance sector. The Province continues to attract investment and talent, bolstered by a high quality of life, well-maintained infrastructure, and a vibrant tourism sector. In 2024, the Western Cape maintained its share of national Gross Domestic Product (GDP) at 14.2 per cent, reflecting its continued economic significance within the country.

The Western Cape economy has a distinctly different structure compared to the national profile. By comparison, the Finance sector constitutes a significantly larger proportion of provincial GDP (34.1 per cent) as opposed to the national average (26.3 per cent), while the Mining (0.2 per cent vs 4.9 per cent) and Community Services (12.1 per cent vs 17.6 per cent) sectors contribute relatively less. The Manufacturing sector remains an important pillar of the Western Cape economy, with a slightly higher share than the national benchmark (14.2 per cent vs 12.5 per cent).

In 2024[1], the Western Cape economy is estimated to have grown by 0.5 per cent. The Finance sector made the largest contribution to this expansion (1.2 percentage points), followed by the Community Services (0.2 percentage points) and Utilities (0.1 percentage points) sectors. The growth contributions of these sectors were largely due to substantial growth rates for the Utilities (4.4 per cent), Finance (3.2 per cent) and Community Services (1.2 per cent) sectors in 2024.

Figure 2.1 Western Cape Gross Domestic Prices growth, 2024



Source: Quantec, Own calculations

In contrast, the Agriculture (-8.0 per cent), Construction (-5.6 per cent), Trade (-1.3 per cent) and Transport (-1.2 per cent) sectors contracted in 2024, shaving 0.9 percentage points from the overall GDP growth. The underperformance was largely driven by a combination of both the regional natural disasters and an underlying weak national economy. In the Agricultural sector, persistent drought conditions across the Central Karoo and West Coast districts and severe flooding between April and July placed considerable strain on crop yields and farm incomes, particularly during critical harvesting periods for citrus and potatoes. These disasters followed a pattern in the Province where climate volatility has frequently disrupted agricultural output.

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[1] GDP measured in constant 2015 basic prices

The most recent performance of the Western Cape was marginally weaker than its average growth trend over the past decade, spanning from 2015 to 2024. Over this period, the Western Cape economy expanded by a cumulative 8.3 per cent, translating to an average annual growth rate of 0.8 per cent.

Figure 2.2 Cumulative GDP growth per sector in the Western Cape, 2015 - 2024

Source: Quantec, Own calculations

The Finance sector made the most significant contribution (7.7 percentage points) to total growth over this period. The significant growth contribution of the largest sector in the Western Cape can be attributed to a stellar 26.6 per cent expansion over the same period, the highest of any sector over the past decade. The expansion of the Finance sector was driven by a combination of sustained investment in digital financial services, and increased demand for financial intermediation and business services across the economy.

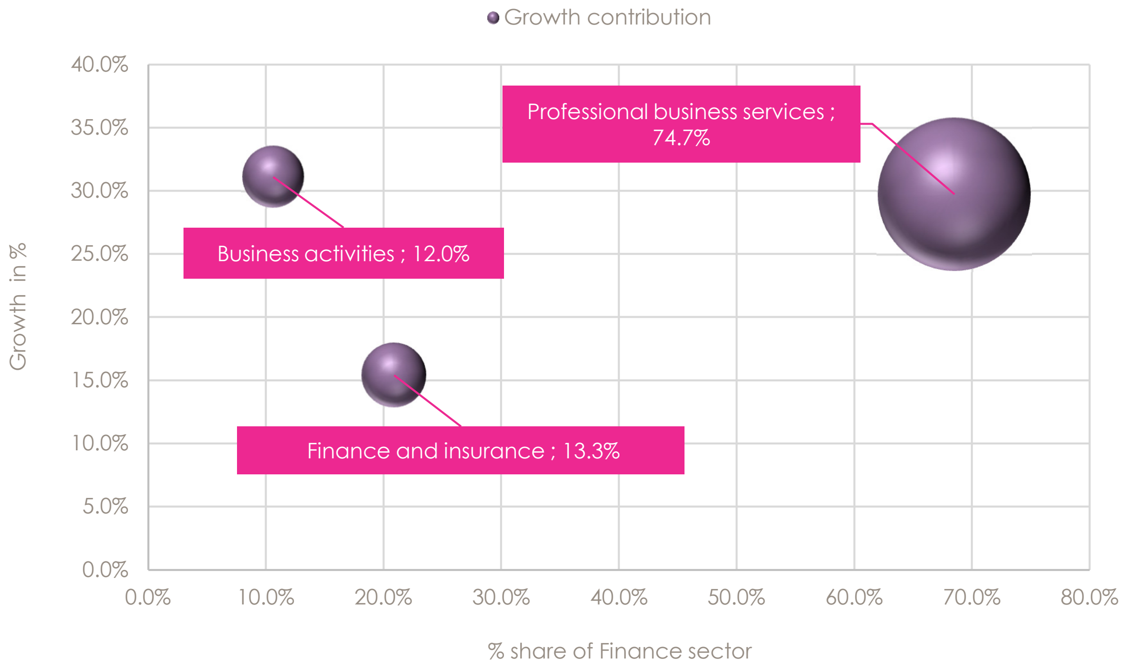
The success of the Finance sector over the past decade can largely be attributed to the Professional and Business Services[2] subsector, which accounted for 74.7 per cent of the sector's growth over the period, a disproportionately large contribution given its 68.5 per cent share of the sector's GDP in 2024.

Over the past decade, technologies like Artificial Intelligence (AI), cloud computing, and robotic process automation have reshaped professional business services, which includes legal, accounting, consulting, architectural, advertising, recruitment, and administrative firms.

AI streamlined document analysis, cloud platforms enable scalable data management, and automation handles repetitive tasks like invoicing. Customer Relationship Management systems improve client interactions, big data analytics reveal market insights, tools like Zoom support remote collaboration, while blockchain secures transactions, and the Internet of Things (IoT) optimises office operations, driving efficiency across these sectors, according to industry trends (Deloitte, McKinsey).

[2] Professional business services include management consultancy for strategy planning and process improvements; accounting and bookkeeping; legal advice; architectural and engineering design; market research and advertising; human resources services through recruitment and temp agencies; admin support like office management; call centre operations; and facility upkeep.

Figure 2.3 Correlation of Finance sector sub-sectors share of GDP (2024); growth, and growth contribution (2015 - 2024)



Source: Quantec, Own calculations

From 2015 to 2024, the Western Cape has attracted significant investments in professional business services. The Business Process Outsourcing (BPO) industry, including recruitment and call centres, grew steadily, creating thousands of jobs, while consulting firms like Deloitte expanded digital transformation hubs, and architectural and engineering services thrived with projects like the R14 billion Harbour Arch. (Wesgro, 2023; Deloitte, 2019).

In contrast to the flourishing Finance sector, the Construction sector continued to face headwinds over the past decade, contracting by a significant 31.5 per cent. The Sector's GDP contraction in the Province is tracking the same trend at a national level which recorded a contraction of 32.1 per cent.

Employment of the Construction sector in the Province also fell by 5.9 per cent, reinforcing the picture of a struggling sector. However, the underlying data tells a more nuanced story. Trends in population growth, and buildings completed suggest that Construction's economic contribution in the Western Cape may be underestimated.

Figure 2.4 illustrates that while Provincial GDP tracked the national trend between 2015 and 2024, the Western Cape diverged in key activity indicators. Most notably, the value of buildings completed expanded by 33.9 per cent in the Province compared to a contraction of 10.6 per cent for the rest of South Africa. This signals strong underlying demand and resilience in the Western Cape's built environment despite weak headline GDP.

Figure 2.4 Comparison between the growth in GDP and employment in the Construction sector; population and the nominal value in buildings completed between the rest of South Africa and the Western Cape, 2015 - 2024

Source: Quantec, Own calculations

Population growth has also been a powerful driver of housing and commercial property demand. Between 2015 and 2024, the Western Cape's population growth exceeded the rest of South Africa by 5.4 percentage points, with the Province contributing 15.6 per cent of national population growth, well above its 11.6 per cent share in 2015. This surge in population has likely amplified construction activity, as is evident from the surge in the value of building completed yet not reflected in the GDP of the Construction sector in the Province.

Looking ahead, the sector faces both risks and opportunities. Rising input costs, constrained public finances, and energy and water infrastructure challenges continue to weigh on the pace of recovery. At the same time, strong population inflows, demand for affordable housing, and planned investments in public infrastructure offer a foundation for future growth. Importantly, Construction remains a key labour-absorbing sector, and its resilience in the Western Cape highlights the Sector's strategic role in enabling urban expansion, supporting inclusive employment, and facilitating long-term spatial development goals.

Impact of the Growth for Jobs (G4J) Strategy: Early Outcomes (April 2023 – September 2025)

The Growth for Jobs (G4J) Strategy, launched in April 2023, aims to position the Western Cape as South Africa's fastest-growing provincial economy (R1 trillion) by unlocking private-sector-led growth, accelerating investment, and creating additional jobs by 2035.

Two and a half years into implementation, early indicators show positive but uneven progress. GDP growth and employment have strengthened, business confidence has improved, and exports are rising, while structural challenges remain in fixed investment, youth participation, and trade logistics.

It is important to note that the indicators tracked through the Impact Pulse[1] are transversal in nature. This means they are shaped not only by interventions across multiple Priority Focus Areas of the G4J Strategy, but also by broader external factors such as national policy, global economic conditions, and structural shifts in the economy. As a result, these measures should not be interpreted as the direct impact of G4J alone, but rather as signals of how the Provincial economy is performing in a wider context where WCG interventions are one of several influences.

Indicator	Where we started	Where we are now	Where we are going (Target)
GDP Growth	0.9% (2023)	1.3% y-o-y (2Q 2025)	Target 2.5 - 3% by 2030; modest early acceleration
Value of GDP	R660.6 bn (2023)	R674.4 bn (2Q 2025)	R770 - R800 bn by 2030
Employment	2 757 000 (4Q 2023)	2 744 000 (2Q 2025)	+220k - 300k net new jobs by 2030
Unemployment Rate	22.3% (4Q 2023)	21.1% (2Q 2025)	Lower than baseline
Youth NEETs	708 794 (4Q 2023)	790 536 (2Q 2025)	Substantive improvement
Youth Unemployment	35.4% (4Q 2023)	30.9% (2Q 2025)	Substantive improvement
Value of Exports	R48.3 bn (4Q 2023)	R53.8 bn (1Q 2025)	Between R290 billion and R320 billion by 2030
Total Cargo through Ports	16 825 227 t (4Q 2023)	16 437 616 t (2Q 2025)	Positive annual growth
Targeted Sector GVA Growth	-1.03% (2022)	0.49% (1Q 2025)	1.5% growth p.a. average growth by 2030
Business Confidence Index	37 points (4Q 2023)	45 points (3Q 2025)	≥ 50 index points
Number of SMMEs	331 993 (4Q 2023)	404 394 (2Q 2025)	Steady positive annual growth
GFCF as % of GDP	13.5% (2023)	13.1% (2024)	Higher than baseline
GDP per Capita	R90 235 (2023)	R89 578 (2024)	Constant. GDP growth needs to exceed population growth
Multi-factor Productivity Index	101.2 (2023)	102.3 (2024)	Steady positive annual growth
R&D Spend as % of GDP	1.58% (2021/22)	1.70% (2022/23)	Consistent positive annual growth
Trust in Government (National)	26% (2022)	36% (2025)	≥ 60% (indicates trust)
Blue Dot Rating	89% (2014)	69.34% (2023)	Steady positive improvement

Source: Western Cape Department of Economic Development and Tourism

Early outcomes suggest that the G4J Strategy is beginning to shift the trajectory of the Western Cape economy but given the transversal nature of the Impact Pulse indicators, progress should be seen as the result of both provincial interventions and broader economic dynamics.

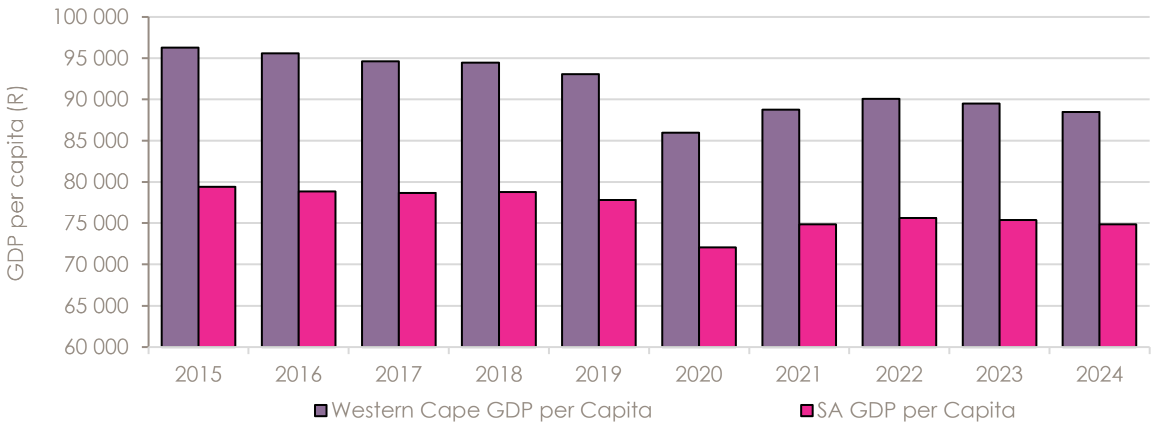
[1] The "Impact Pulse" is a tool that tracks big-picture economic indicators, like GDP and jobs. These indicators are influenced by many factors, not just provincial programmes, and are updated as new data becomes available.

2.2.1 Western Cape's Strong Comeback: Economic Growth and Employment on the Rise

Gross Domestic Product (GDP) per capita provides a key snapshot of economic wellbeing by showing the average economic output per person and reflecting living standards. While it does not capture inequality or quality of life in full, GDP per capita remains an important broad indicator of average economic prosperity and an internationally accepted foundational tool for understanding and comparing individual-level wellbeing.

Between 2015 and 2024, real GDP per capita in the Western Cape contracted by 8.6 per cent, with the sharpest dip occurring during the COVID-19 pandemic. The declining trend in GDP per capita, was a result of population growth (18.4 per cent) exceeding GDP growth (8.3 per cent).

Figure 2.5 Real GDP per capita in the Western Cape, 2015 – 2024



Source: Quantec, Stats SA, Own calculations

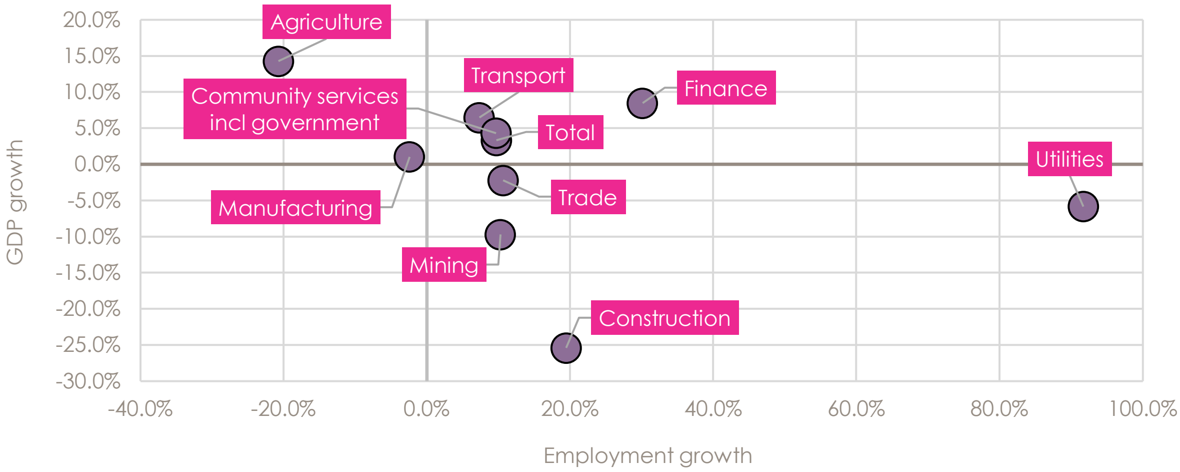
Notwithstanding the decline, the Province continues to outperform the national average on a per capita basis. Over the 10-year period, GDP per capita in the Western Cape remained on average 19.6 per cent higher than the national figure. However, the GDP per capita gap has narrowed by 2.9 percentage points over the same period. The narrowing gap in GDP per capita can largely be attributed to the Western Cape's population growth significantly exceeding national population growth over the same period (5.4 percentage points). While recent data indicates a modest upward trend, real GDP per capita in the Western Cape remains below pre-COVID-19 levels, underscoring the continued pressure on economic performance and household wellbeing.

The COVID-19 recession has had a long-lasting impact on economies worldwide, causing permanent output losses in some regions. The pandemic disrupted labour markets, increased government debt substantially, and led to supply chain issues. While many economies experienced a sharp initial contraction followed by a rebound, the lingering effects include slower growth trajectories, heightened economic uncertainty, and uneven recovery across regions and sectors.

Figure 2.6 presents a comparison of the recovery in real GDP at basic prices (GDP)[3] and employment in the Province between the 1st quarter of 2020 and the 2nd quarter of 2025. Over this period, GDP grew cumulatively by 3.3 per cent, while employment expanded by a more robust 9.7 per cent.

[3] GDP at basic prices = GDP at market prices - Taxes on products + Subsidies on products

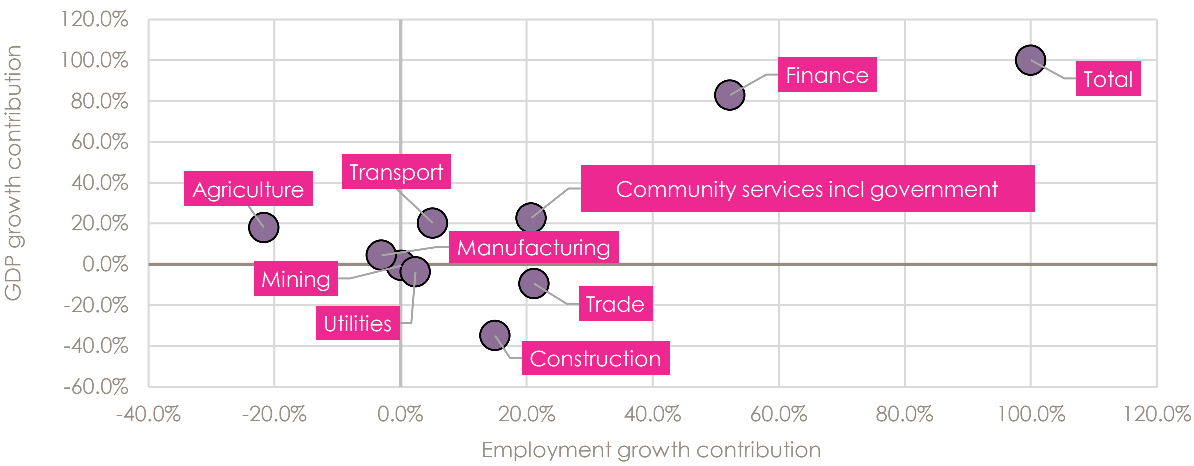
Figure 2.6 COVID recession recovery of GDP and employment levels in the Western Cape (cumulative), 1Q2020 – 2Q2025



Source: Quantec, Stats SA, Own calculations

Notably, with the exception of the Finance, Transport and Community Services sectors, all sectors display a negative correlation between GDP and employment growth over the period. These negative correlations between growth in GDP and employment are contrary to Okun's Law, the notion that employment should increase with GDP, thereby exhibiting a positive correlation. While part of the discrepancy may stem from differences in how GDP and employment are measured, other factors are also at play. In some sectors, productivity gains and technological advances have enabled firms to increase output without expanding employment. Growth has also been concentrated in more capital- and skill-intensive industries, limiting the labour absorption effect. Furthermore, structural shifts in the economy, together with rigidities in the labour market, may have weakened the traditional link between GDP and job creation.

Figure 2.7 Contribution to COVID recession recovery of GDP and employment in the Western Cape (cumulative), 1Q2020 – 2Q2025



Source: Quantec, Stats SA, Own calculations

After accounting for the relative size and growth of each sector, the Finance sector made the most significant contribution to the employment (52.3 per cent) and GDP (82.9 per cent) recovery of the Province. Notable contributions in employment growth were made by the Trade (21.1 per cent), Community services (20.7 per cent) and Construction sectors (15.0 per cent), although the Construction sector's GDP declined by 34.9 per cent over the same period.

A more detailed discussion of sectoral employment dynamics is presented in Chapter 4: Labour Market Dynamics.

2.2.2 Regional performance

The Western Cape's six regions, comprising five district municipalities and one metropolitan municipality, are defined by diverse landscapes and distinct economic strengths. From fertile agricultural zones and mountainous terrains to expansive coastlines and vibrant urban centres, each region contributes uniquely to the Province's economy.

The Cape Metro remains the economic powerhouse of the Western Cape, accounting for approximately 72.3 per cent of the Province's GDP in 2024. Over the past decade, the Metro has recorded an average annual growth rate of 0.7 per cent and is estimated to have grown by 0.4 per cent in 2024. The Finance sector made the largest contribution (0.7 percentage points) to total growth in the Cape Metro, with notable contributions from the Government (0.1 percentage points), and Community Services sectors (0.1 percentage points), while the Construction, Trade and Transport sectors made negative growth contributions (0.2 percentage points each).

Table 2.1 GDP at basic prices per sector and Western Cape districts, 2015 – 2024

GDP Growth (%)	Cape Town		West Coast		Cape Winelands		Overberg		Garden Route		Central Karoo	
Sector	2024	2015-2024 (Ave)	2024	2015-2024 (Ave)	2024	2015-2024 (Ave)	2024	2015-2024 (Ave)	2024	2015-2024 (Ave)	2024	2015-2024 (Ave)
Total	**0.4%**	**0.7%**	**-0.6%**	**1.2%**	**0.3%**	**1.3%**	**0.9%**	**1.5%**	**1.2%**	**1.1%**	**-1.2%**	**0.7%**
Agriculture	-3.8%	1.7%	-7.1%	1.5%	-11.5%	0.7%	-10.9%	0.0%	-9.6%	0.3%	-11.9%	1.5%
Mining	-0.3%	-1.7%	5.4%	-1.4%	-0.4%	-1.6%	-0.8%	-1.4%	-1.1%	-2.9%	0.2%	-0.9%
Manufacturing	-0.2%	-0.1%	1.5%	2.0%	-2.3%	-0.7%	1.0%	2.6%	0.2%	0.9%	-1.3%	0.8%
Utilities	4.3%	-1.6%	3.5%	-2.9%	5.7%	-0.2%	4.6%	-1.5%	4.2%	-1.8%	5.1%	-0.6%
Construction	-5.6%	-3.7%	-6.4%	-3.8%	-4.4%	-2.0%	-5.2%	-3.3%	-6.7%	-4.8%	-7.5%	-4.5%
Trade	-1.6%	-0.5%	-1.0%	0.2%	-0.2%	1.1%	-0.6%	0.8%	-0.9%	-0.2%	-0.7%	-0.8%
Transport	-1.8%	0.6%	1.2%	1.5%	0.9%	2.6%	1.3%	3.0%	-1.0%	1.6%	-0.1%	0.8%
Finance	3.0%	2.1%	3.7%	2.9%	4.1%	3.9%	4.0%	3.1%	4.0%	3.2%	2.0%	2.5%
Government	0.4%	1.2%	0.7%	1.4%	0.1%	0.7%	-0.6%	0.3%	-0.4%	0.3%	1.1%	1.8%
Community Services	-0.7%	1.1%	2.4%	2.1%	6.0%	1.6%	9.8%	2.5%	7.9%	1.8%	3.0%	1.6%

Contribution to GDP growth (% points)	Cape Town		West Coast		Cape Winelands		Overberg		Garden Route		Central Karoo	
Sector	2024	2015-2024 (Ave)	2024	2015-2024 (Ave)	2024	2015-2024 (Ave)	2024	2015-2024 (Ave)	2024	2015-2024 (Ave)	2024	2015-2024 (Ave)
Total	**0.4%**	**0.7%**	**-0.6%**	**1.2%**	**0.3%**	**1.3%**	**0.9%**	**1.5%**	**1.2%**	**1.1%**	**-1.2%**	**0.7%**
Agriculture	-0.1%	0.0%	-1.6%	0.3%	-1.2%	0.0%	-1.2%	0.0%	-0.5%	0.0%	-2.1%	0.2%
Mining	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Manufacturing	0.0%	0.0%	0.3%	0.4%	-0.3%	-0.1%	0.1%	0.3%	0.0%	0.1%	0.0%	0.0%
Utilities	0.1%	0.0%	0.0%	-0.1%	0.1%	0.0%	0.1%	0.0%	0.1%	0.0%	0.2%	0.0%
Construction	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	-0.1%	-0.3%	-0.2%	-0.3%	-0.3%	-0.2%	-0.2%
Trade	-0.2%	-0.1%	-0.1%	0.0%	0.0%	0.2%	-0.1%	0.1%	-0.1%	0.0%	-0.1%	-0.1%
Transport	-0.2%	0.0%	0.1%	0.1%	0.1%	0.2%	0.1%	0.3%	-0.1%	0.1%	0.0%	0.1%
Finance	1.1%	0.7%	0.6%	0.4%	1.1%	1.0%	1.1%	0.8%	1.3%	1.0%	0.3%	0.3%
Government	0.0%	0.1%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Community Services	-0.1%	0.1%	0.3%	0.2%	0.7%	0.2%	1.0%	0.3%	0.9%	0.2%	0.6%	0.3%

Source: *Quantec, Own calculations*

Note: GDP at basic prices

The Overberg District, known for its scenic beauty, agricultural richness, and coastal towns, has emerged as one of the strongest performing regions over the past ten years, with an average growth rate of 1.5 per cent. The District posted a growth rate of 0.9 per cent in 2024, supported primarily by significant contributions from the Finance (1.1 percentage points), and Community Services sectors (1.0 percentage points). Continued semigration to towns such as Hermanus, Swellendam, and Napier has sustained demand in the real estate and financial services industries. The District also benefits from a diverse tourism and agri-processing base, with key activities including winemaking, dairy production, and abalone processing.

The Garden Route District recorded the highest economic growth rate in 2024 (1.2 per cent), when compared to other districts, and was the only district that exceeded its average GDP growth over the past decade. The sound performance of the Garden Route district was supported by substantial growth contributions from the Finance (1.3 percentage points) and Community services sectors (0.9 percentage points).

Districts such as the West Coast and Central Karoo, where the Agriculture sector historically played a pivotal role in supporting its respective economies, recorded recessions in 2024. The Western Cape Agriculture sector contracted by 8.1 per cent in 2024, mainly because of severe floods from April to July 2024. As a result, both the West Coast (-0.6 per cent) and the Central Karoo (-1.2 per cent) recorded recessions in 2024.

Table 2.2 Sector contribution to total GDP of each district in 2024

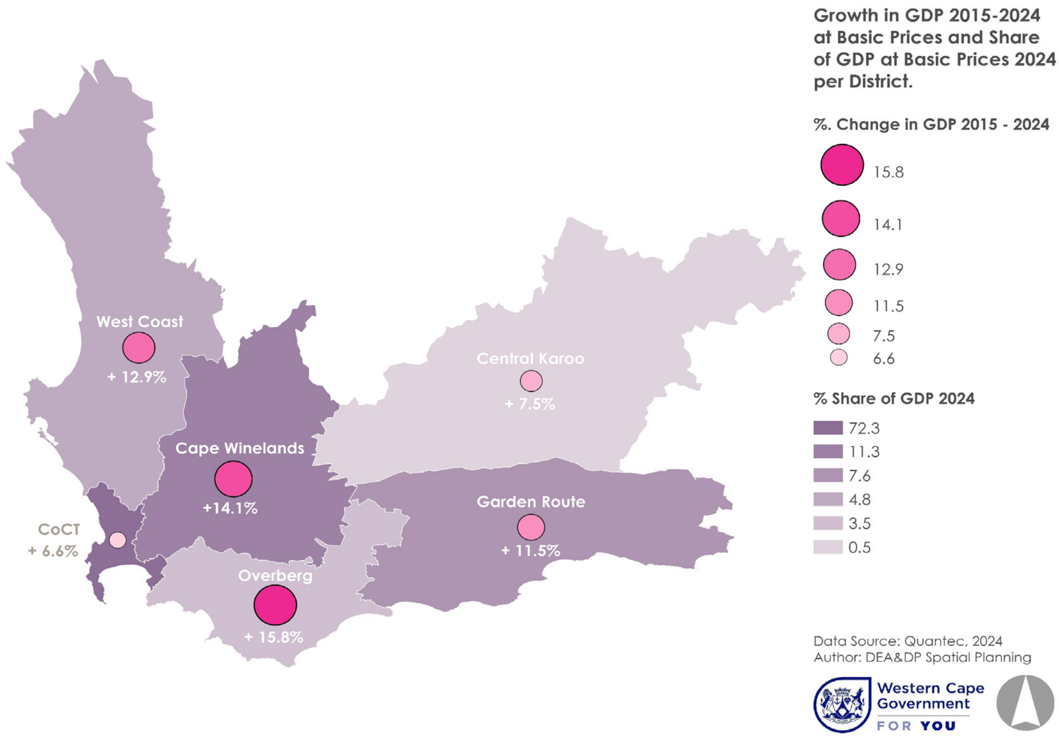
Sector	Cape Metro	West Coast	Cape Winelands	Overberg	Garden Route	Central Karoo
Agriculture	1.5%	21.4%	8.8%	9.9%	5.0%	15.5%
Mining	0.1%	0.7%	0.1%	0.1%	0.2%	0.0%
Manufacturing	14.1%	19.3%	14.0%	13.1%	13.0%	2.6%
Utilities	2.0%	1.4%	1.6%	1.7%	2.1%	4.2%
Construction	3.3%	3.1%	4.3%	4.7%	3.8%	3.1%
Trade	12.9%	12.8%	14.9%	15.2%	14.1%	12.1%
Transport	11.4%	8.2%	9.8%	11.1%	10.2%	15.2%
Finance	36.5%	16.7%	28.5%	28.4%	34.7%	15.1%
Government	6.1%	6.0%	5.5%	4.6%	5.1%	12.3%
Personal services	12.1%	10.6%	12.4%	11.1%	11.9%	19.9%

Source: Quantec, Own calculations

The economic contribution of the Agriculture sector in the West Coast (highest at 21.4 per cent) and Central Karoo (2nd highest at 15.5 per cent) in 2024 were substantial when compared to other sectors in these districts. Both districts also had notably lower relative contributions from the Finance sector. Consequently, GDP growth of these two districts will not typically follow the overall growth of the Province.

Although the Cape Metro recorded the largest contribution to the Western Cape's GDP at basic prices (72.3 per cent), its GDP grew at the slowest pace over the past decade, expanding by only 6.6 per cent, (see figure 2.8). By comparison, the smaller districts of Overberg, Winelands and West Coast recorded much stronger growth rates of 15.8 per cent, 14.1 per cent and 12.9 per cent, respectively. This outperformance of these districts can be attributed to valuable growth contributions of the Finance (all three districts), Manufacturing (Overberg and West Coast), Transport (Overberg and Cape Winelands); Community services (all three districts) and Agriculture sectors (West Coast), (see Table 2.1).

Figure 2.8 Share (2024) and growth (2015 - 2024) of GDP at basic prices per district in the Western Cape



Without proper evidence-based data, the possible reasons for the rural districts outperforming the Cape Metro could range from lower cost of living, lower crime levels, less traffic congestion; and the emerging trend of working from home.

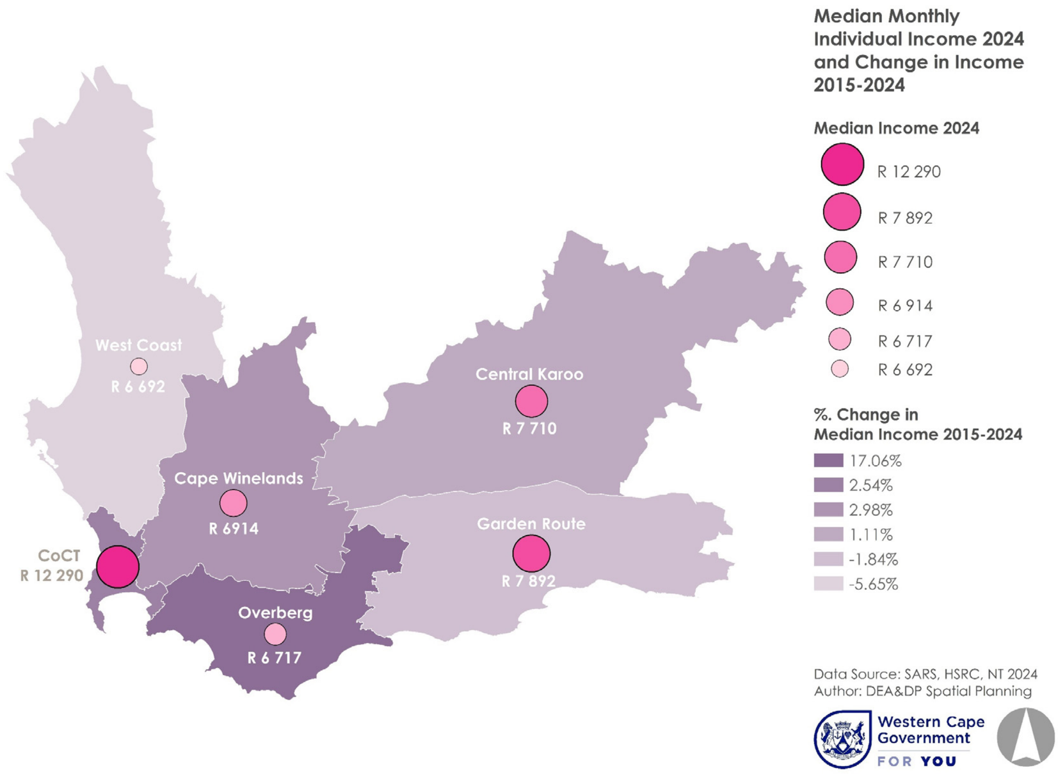
Frick and Rodríguez-Pose (2017) analysed data from 113 countries (1980 – 2010) and found a non-linear relationship between city size and economic growth. Smaller cities (up to 3 million people) tend to foster higher growth, while very large cities (over 10 million) mainly boost growth in larger countries with urban populations above 28 million. While the Cape Metro benefits from advanced infrastructure, governance capacity and industry depth, the Western Cape's experience illustrates that smaller districts can record faster growth when local economic opportunities such as agriculture, manufacturing or tourism are actively expanding.

Overall, mid-sized cities often outperform megacities in driving GDP per capita growth, especially in countries with smaller urban populations. Large cities frequently face issues such as housing shortages and congestion that hinder growth and access to economic opportunities, whereas smaller cities enjoy more flexible labour expansion and fewer negative externalities (Frick & Rodríguez-Pose, 2017).

Between 2015 and 2024, the Overberg District's monthly median income increased the most by 17.1 per cent, followed by Cape Winelands (3.0 per cent) and the Cape Metro (2.5 per cent), whilst median income declined in the Garden Route (-1.8 per cent) and West Coast districts (-5.6 per cent). The Cape Metro's median income increased from R12 203 in 2023 to R12 290 in 2024. The change in monthly median income is often not correlated to the change in GDP over the same period.

While the Overberg District recorded both the fastest GDP and median income growth over the same period, implying a positive correlation, districts such as the Garden Route recorded a substantially higher GDP growth when compared to the Cape Metro (4.9 percentage points), yet the Garden Route's median income declined (-1.8 per cent) while the Cape Metro's median income increased (2.5 per cent).

Figure 2.9 Median monthly income per region in 2024 and absolute difference (2015 – 2024)



The anomaly between trends in GDP and median income is best explained by a 2016 Reserve Bank of Australia (RBA) article on the sensitivity of personal income to GDP growth. The article found that incomes of bottom- and top-income earners were most sensitive to economic fluctuations, but for different reasons. For lower- and middle-income groups, changes in income were driven more by shifts in employment status (gaining or losing jobs) than by changes in wage levels. This underscored the vulnerability of these groups to economic cycles and highlighted the importance of employment dynamics in income distribution during economic fluctuations (Reserve Bank of Australia, 2016).

High-income earners were affected by changes in GDP primarily through fluctuations in capital income, such as dividends and interest earnings. During strong economic conditions, their capital income tended to rise due to better returns on financial assets. Although their labour income was less sensitive to economic downturns compared to lower-income groups, capital income remained highly sensitive to GDP changes, making top earners' overall income reactive to economic cycles (Reserve Bank of Australia, 2016).

The study suggests that districts where median income and GDP have a strong positive correlation, should also have a relatively smaller middle class. This will include districts such as the Overberg, and Cape Winelands.

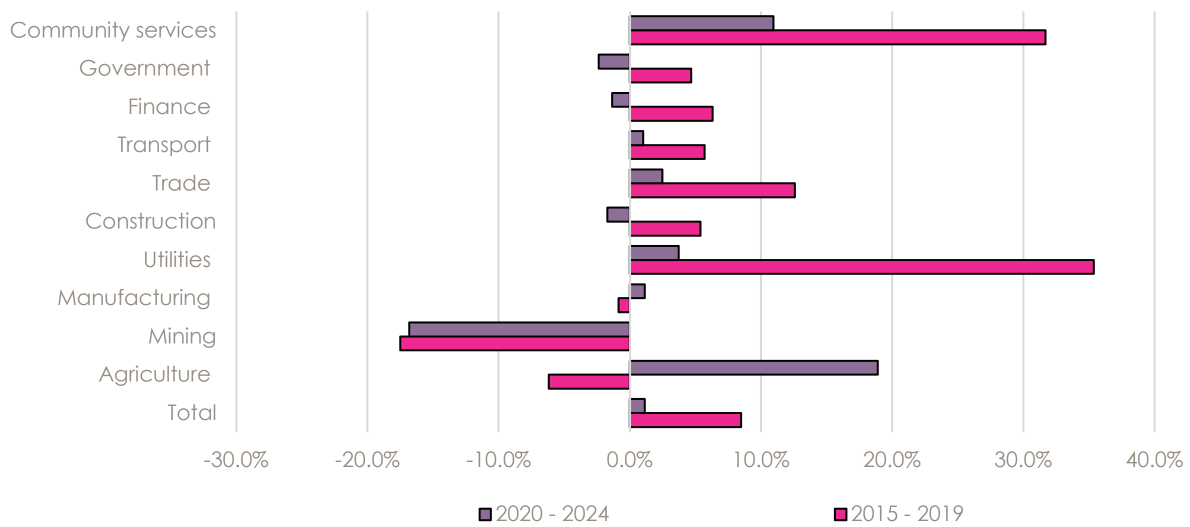
2.3 Fixed Investment

Fixed investment is a cornerstone of sustainable economic growth, as it reflects long-term commitments by both the public and private sectors to expand productive capacity, upgrade infrastructure, and integrate new technologies. Investments in machinery, buildings, infrastructure, and equipment not only enhance output and efficiency but also foster employment and catalyse further economic activity.

From 2015 to 2024, Capital stock in the Western Cape has continued to increase, albeit at a substantially slower pace. Growth in Capital stock was notably higher in the first half of the decade (2015 to 2019), expanding approximately seven times faster than in the latter half.

Only one sector improved its growth of Capital stock in the second half of the decade (2020 to 2024). During this period, the Agriculture sector's capital stock expanded by 18.9 per cent, the highest growth rate over the period, in comparison to a contraction of 6.2 per cent in Capital stock the previous five years. Over the period, the Agriculture sector's contribution to total Capital stock growth within the Province was a staggering 60.2 per cent. The significant growth in Capital stock in the Agriculture sector can be attributed to the expansion in machinery and other equipment, which in itself made a growth contribution of 54.3 per cent to total capital stock in the Agriculture sector.

Figure 2.10 Growth of Capital stock (2015 – 2024)



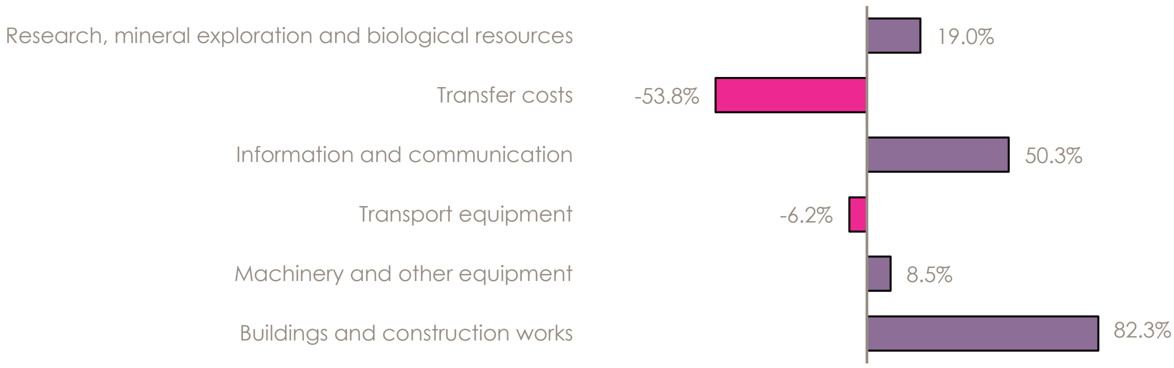
Source: Quantec, Own calculations

Increased mechanisation of the Agriculture sector most likely led to a decline in employment over the same period. Between 2020 and 2024, employment in the Agriculture sector declined by 1.6 per cent compared to the growth of 10 per cent in the previous five years.

Mechanisation often reduces the demand for manual labour per unit of land, especially in the short term, leading to job losses among traditional agricultural labourers (Theis et al., 2023; Binswanger, 1986). Furthermore, it was found that mechanisation tends to reduce employment initially as machines replace manual tasks, but long-term effects on employment depend on factors like farm size expansion and demand elasticity for produce (Theis et al., 2023).

In contrast to Capital growth in the Agriculture sector, which was mainly supported by machinery and equipment, the Western Cape's growth Capital stock was mainly supported by Buildings and construction works (82.3 per cent) and Information and communication (50.3 per cent).

Figure 2.11 Growth in Capital stock by category in the Western Cape, 2020 - 2024



Source: Quantec, Own calculations

Information Communications and Technology (ICT) investment is vital for economic growth and social development in the digital era. It expands connectivity, boosts access to high-speed internet and supports technologies like 5G. In South Africa and the Western Cape, strong investment in telecommunications has improved digital inclusion, productivity, and competitiveness, helping to bridge urban-rural divides and create new opportunities for people and businesses.

A comprehensive 2025 report on South Africa's ICT sector by the Independent Communications Authority of South Africa (ICASA), highlights significant growth trends from 2020 to 2024. Telecommunications achieved a compound annual growth rate (CAGR) of 3.69 per cent, supported by rapid increases in mobile cellular subscriptions, which rose by 7.46 per cent in 2024, reaching 116.8 million, and smartphone subscriptions, which grew by 10.36 per cent to 82.7 million.

Fixed broadband subscriptions nearly doubled from 1.4 million to 2.7 million, driven largely by the swift adoption of fibre-optic technology that provides enhanced speed and reliability. The capacity for international internet bandwidth also expanded by over 10 per cent, underscoring bandwidth's critical role in a digital economy. The rollout of 5G technology has reached 46.6 per cent national coverage. In the Western Cape, coverage stands at 78 per cent concentrated mainly in the Cape Metro and other urban hubs, while rural areas lag behind.

2.4 Energy Resilience in the Western Cape

The Western Cape continues to make steady progress in strengthening its energy resilience in response to national electricity supply challenges. Peak Provincial electricity demand is projected to increase from approximately 4 368 MW in 2024 to 4 479 MW in 2025 and 4 584 MW[4] by 2026. To meet this growing need, the Province draws power from Eskom's seven power stations (4 698 MW capacity[5]), and a further 592 MW from Independent Power Producers (IPPs)[6], bringing total available generation capacity to over 5 290 MW.

A major milestone was Eskom's launch of the Hex substation Battery Energy Storage System (BESS) in late 2023, providing 199 MW of battery storage and 60 MW of solar PV capacity. This infrastructure enhances grid stability and paves the way for greater integration of renewable energy into the provincial mix.

Figure 2.12 Electricity generated and available for distribution by Eskom in the Western Cape, 2014 – 2024

Source: Quantec, Own calculations

Although Eskom electricity distribution to the Province declined by 15.9 per cent over the past decade (see Figure 2.12), largely due to load-shedding and the uptake of Small-Scale Embedded Generation (SSEG), a notable recovery occurred in 2024. By mid-2024, load-shedding was suspended for extended periods due to improved performance in Eskom's generation fleet, with the Energy Availability Factor (EAF) reaching 64 per cent in week 29 of 2025[7].

[4] The Eskom Transmission Development Plan (TDP) 2023 - 2032

[5] 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).

[6] https://www.ipp-projects.co.za/media-archives/#

[7] Eskom Status Report, 2025.

To further bolster energy resilience, the Western Cape Energy Resilience Programme aims to enable 5 700 MW of non-Eskom generation by 2035. Already, a total of 819 MW[8] of Small Scale Embedded Generation has been installed to date, with an estimated further 1,000MW in various stages of public procurement.

Table 2.3 Progress in Western Cape Energy Resilience Programme

Energy baseline (where we started)	Achievements (where we are now)	Where we are going (Target)
139 MW (2022) (small scale embedded generation)	819 MW[9] (2024/25)	Energy generated (non-Eskom and non-REIPPP) or private energy wheeled into the Western Cape will increase by **1 400 MW** by 2030
Number of WCG Buildings with solar PV	**Number of Schools with solar PV**	**Number of Health Facilities with solar PV**
17	105	5
	Number of Schools with energy efficient lighting	**Number of Health Facilities with energy efficiency programmes**
	90	4

Despite these gains, grid constraints remain a key bottleneck. Eskom's Transmission Development Plan[10] estimates a need for 14 200 km of extra-high-voltage lines and 170 new transformers by 2032, with R72.2 billion allocated to priority projects, many in the Western Cape.

Altogether, these public-private initiatives and reforms reflect a coordinated effort to shift toward a more reliable, decentralised, and greener energy future, critical for long-term economic growth and energy security in the Province.

[8] Department of the Premier. Power to the IPPs: Private sector stepping up in securing Western Cape's energy future. 2025

[9] Solar PV: GeoTerraImage (in collaboration with SAPVIA) installed capacity data – Release 2025

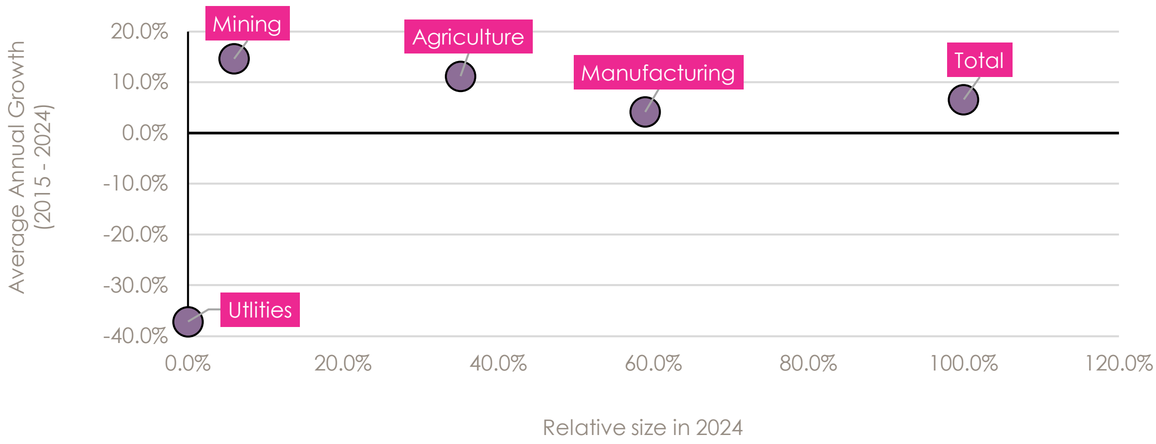
[10] Eskom Transmission Development Plan (TDP) 2023 – 2032, 2022

2.5 International trade

Trade and exports are vital drivers of economic growth, supporting market expansion, job creation, and innovation. By tapping into international markets, businesses in the Western Cape are able to increase production, improve efficiency, and achieve greater economies of scale. Exports also foster international collaboration and enhance the Province's global competitiveness.

The Western Cape has developed a strong international trade footprint. Its strategic coastal location, competitive agricultural sector, manufacturing diversity, and logistical advantages have positioned the Province as one of South Africa's key export hubs. The region's exports include agricultural produce, processed food and beverages, wine, and manufactured goods, all of which contribute to reinforcing the Province's global brand.

Figure 2.13 Nominal exports from the Western Cape: Relative size in 2024; and Annual Average Growth, 2015 – 2024



Source Quantec, Own calculations

Between 2015 and 2024, nominal exports from the Western Cape increased on average by 6.6 per cent per annum. Although the Mining sector represented only 5.9 per cent of all exports from the Western Cape in 2024, the Sector recorded the highest average annual growth rate (14.6 per cent) between 2015 and 2024. The surge in mining exports over this period can mainly be attributed to an export growth contribution by other metallic minerals (3.2 percentage points); chrome (2.5 percentage points) and manganese ore (1.2 percentage points) to China; while chrome exports to Mozambique and United Arab Emirates also made significant contributions to export growth of the Mining sector.

Most of the world's chrome is used to produce ferrochrome alloy, which is a key ingredient in making stainless steel, while Manganese is widely used in industrial products such as battery cathodes, glassmaking, bricks, tiles, textiles, and automotive under coatings.

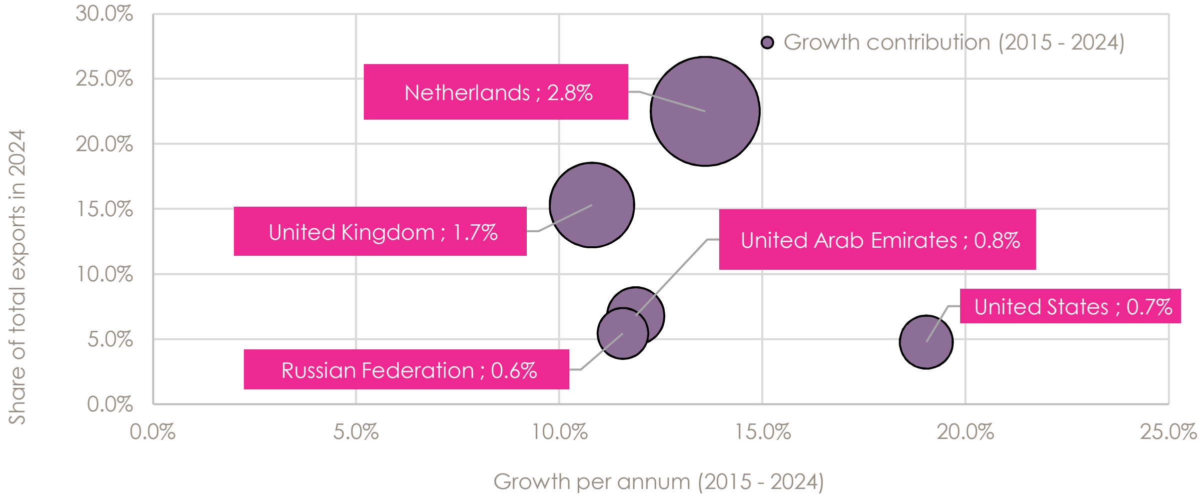
Figure 2.14 Main contributors to growth of mining exports from the Western Cape, 2015 - 2024

Commodity	Country	Growth contribution in % points
Other metallic minerals	China	3.2%
Chrome	China	2.5%
	Mozambique	1.9%
	United Arab Emirates	1.1%
Manganese ore	China	1.2%
	India	0.5%
Coal	Vietnam	0.9%
	India	0.7%
	Switzerland	0.7%
	Pakistan	0.6%
Total		13.2%

Source: Quantec, Own calculations

Over the same period, the Agriculture sector was the leading contributor to total export growth (3.3 percentage points) in the Province, growing at an average rate of 11.2 per cent over the decade. The significant growth of exports in the Agriculture sector was mainly a result of growth contributions to total agricultural exports from the Netherlands (2.8 percentage points); United Kingdom (1.7 percentage points); and United Arab Emirates (0.8 per cent). The Netherlands was also the largest export destination in 2024, accounting for 22.5 per cent of all exports of the Agriculture sector from the Western Cape, while the U.S. accounted for 4.8 per cent.

Figure 2.15 Top five agriculture export destinations for the Western Cape; Growth and growth contribution (2015 - 2024); share to total exports (2024)



Source: Quantec, Own calculations

In 2025, the spotlight will be on South Africa's agricultural exports to the United States amid the gradual increase in tariffs imposed by the U.S. Initially set at 10 per cent earlier this year, these duties surged sharply to 30 per cent in August. This steep rise in tariffs has considerably raised the cost of exports and weakened demand, especially for important agricultural products originating from the Western Cape, namely citrus, wine, and macadamia nuts, which play a crucial role in the local economy and support many jobs.

Impact of Maersk's Exit on South Africa–U.S. Trade Routes

Maersk will end its direct South Africa – United States shipping service on 1 October 2025. This will leave Mediterranean Shipping Company (MSC) as the only carrier offering direct weekly sailings. The service has been critical for high-value exports such as fresh produce, wine, and automotive parts.

The shift means South African cargo will now be routed via European transshipment hubs, resulting in longer transit times (7 to 14 days) and higher costs due to additional handling and fuel charges. Exporters face increased risk, particularly for time-sensitive and perishable goods.

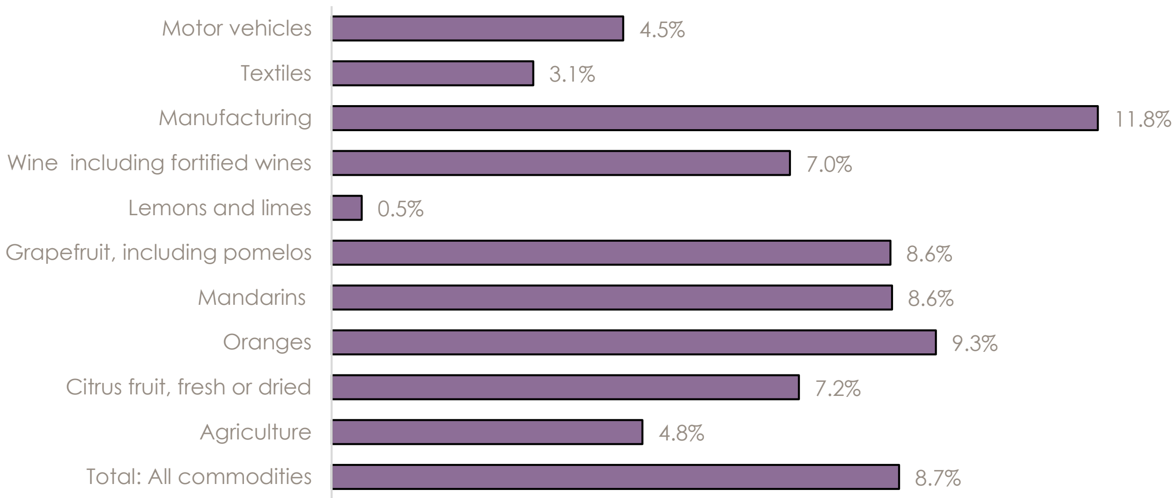
Trade associations have called for MSC to expand its capacity and for additional carriers to enter the route. Without improvements in port efficiency and trade access, the cost and complexity of reaching U.S. markets could erode South Africa's export competitiveness.

Source: The Africa Logistics

From 2015 to 2024, agriculture exports from the Province to the United States increased substantially by 19.0 per cent. The growth was supported by the African Growth and Opportunity Act (AGOA), which allowed for significant trade advantages to South Africa, primarily by providing duty-free access to the U.S. market for over 1 800 products, including key sectors like the automotive, agriculture, and textile sectors.

The preferential duty-free access that was a cornerstone of AGOA's appeal is effectively negated by higher tariffs, placing South African exports at a disadvantage.

Figure 2.16 Exports to the United States as a share of total exports by sector and commodity from the Western Cape, 2024



Source: Quantec, Own calculations

While 8.7 per cent of all commodity exports from the Western Cape were destined for the U.S. in 2024, the Agriculture sector was less exposed with only 4.8 per cent of all agriculture products exported to the U.S. However, products which benefited from AGOA such as citrus fruit, fresh or dried (7.2 per cent) among which certain niche agriculture commodities such as oranges

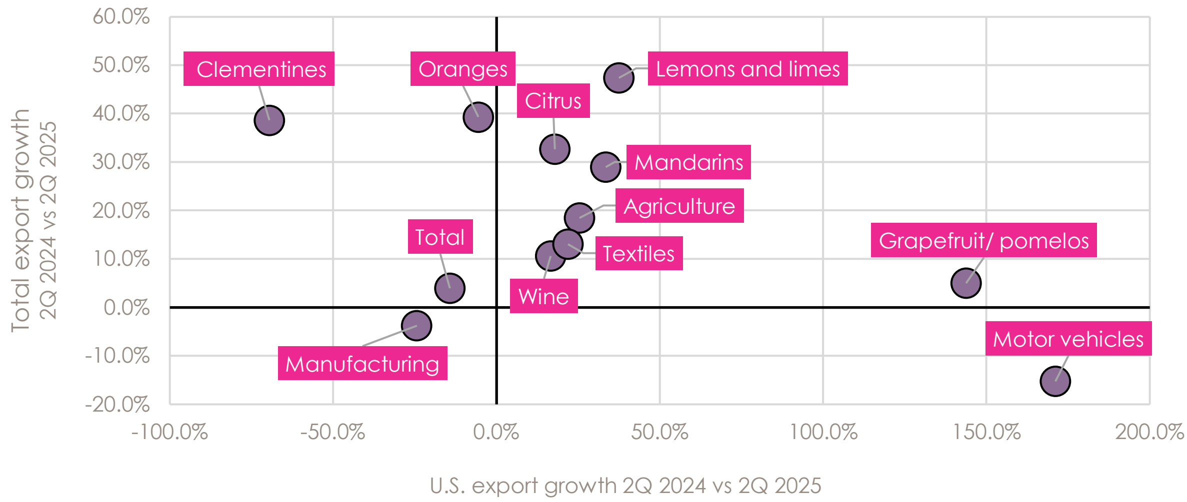
(9.3 per cent), mandarins (8.6 per cent), grapefruit including pomelos (8.6 per cent); are more exposed to U.S. import tariffs.

Western Cape exports by the Manufacturing sector are the most vulnerable to U.S. import tariff increases with 11.8 per cent of all manufacturing goods destined for the U.S. market in 2024. However, manufacturing products which benefited from AGOA, such as motor vehicles (4.5 per cent) and textiles (3.1 per cent) are relatively less exposed to U.S. tariff increases than the Manufacturing sector in general.

Overall, while agriculture exports have grown under AGOA, the sector is relatively less exposed to U.S. tariff increases compared to manufacturing. The real vulnerability lies in the manufacturing sector, which sends a larger share of its output to the U.S. market and is therefore more directly affected by tariff changes.

The first U.S. tariff increase took effect at the beginning of April 2025. Export data from the subsequent three months offers some insight into how key sectors and commodity industries have been affected so far, although the full impact of the 30 per cent tariff hike introduced in August 2025 has yet to be determined.

Figure 2.17 Growth of exports to the world and the United States from the Western Cape, 2Q2024 vs 2Q2025



Source: Quantec, Own calculations

A comparison between total exports and U.S. exports in the 2nd quarters of 2024 and 2025 from the Western Cape could provide an indication of how sensitive certain sectors and commodities are to a tariff increase from the U.S. Over the 2nd quarter of 2025 total Provincial exports to the U.S. declined by 14.3 per cent, although total exports were still 4.0 per cent more for the same quarter in the previous year. The three months of U.S. tariff increases therefore, shaved 1.2 percentage points from total export growth when the two periods are compared.

The Manufacturing sector was the worst affected with a total export decrease of 3.7 per cent, largely a result of a 24.2 per cent decline in exports to the U.S., which contributed 3.3 percentage points to the quarterly decline. Surprisingly, exports of motor vehicles to the U.S. surged by 171.1 per cent, although total exports in motor vehicles declined by 15.2 per cent. However, motor vehicle exports from the Western Cape in the 2nd quarter of 2025 only represented a fraction (0.2 per cent) of South Africa's total motor vehicles to the U.S. and is therefore not a representative measure of the industry's sensitivity to U.S. tariff increases.

In the 2nd quarter of 2025, the Western Cape represented 81.2 per cent of all Agriculture exports to the U.S. Compared to the same quarter in the previous year, exports of agriculture products to the U.S. increased by 25.4 per cent despite a 10 per cent US tariff import increase. Agriculture exports from the Western Cape were therefore not sensitive in the first three months of increased U.S. tariffs.

The Western Cape leverages its strategic location and strong port infrastructure to maintain diverse global trade connections. The Province's main export markets are Europe, the United States, and nearby African countries such as Namibia and Botswana.

The Netherlands, United States, and United Kingdom emerged as the top three export destinations in 2024. Exports to the Netherlands increased by 3.2 percentage points to 9.8 per cent of total exports, reflecting its role as a logistics hub for European markets. The United States grew its share by 4.0 percentage points to 8.7 per cent, supported by the AGOA, while the United Kingdom's share rose by 0.9 percentage points to 8.2 per cent. In contrast, exports to Namibia and Botswana declined by 3.2 and 3.0 percentage points respectively, reflecting persistent challenges in intra-African trade such as tariff and non-tariff barriers and weak cross-border infrastructure.

Table 2.4 Top 10 Import and export markets for the Western Cape, 2015 – 2024

Exports	2015	2024	% Point Difference	Imports	2015	2024	% Point Difference
Netherlands	6.6%	9.8%	3.2%	China	11.5%	19.3%	7.8%
United States	4.7%	8.7%	4.0%	Oman	1.0%	9.2%	8.2%
United Kingdom	7.3%	8.2%	0.9%	United Arab Emirates	2.4%	6.8%	4.4%
Namibia	9.8%	6.6%	(3.2%)	India	5.9%	5.2%	(0.8%)
China	2.0%	5.6%	3.6%	United States	2.2%	4.7%	2.5%
Botswana	6.8%	3.9%	(3.0%)	Angola	6.0%	4.1%	(1.9%)
United Arab Emirates	2.0%	3.6%	1.5%	Italy	1.9%	3.9%	2.1%
Germany	4.0%	2.7%	(1.3%)	Saudi Arabia	20.5%	3.5%	(17.0%)
Swaziland	2.1%	2.2%	0.1%	Nigeria	7.0%	3.1%	(3.9%)
Russian Federation	1.5%	2.1%	0.6%	Germany	3%	3.1%	0.0%

Source: Quantec, Own calculations

On the import side, China remained the largest source of imports for the Western Cape, accounting for 19.3 per cent in 2024, up from 11.5 per cent in 2015. Oman experienced the most significant growth, increasing its share by 8.2 percentage points to 9.2 per cent, likely linked to energy imports. The United Arab Emirates also expanded its share to 6.8 per cent. Meanwhile, import shares from Saudi Arabia, Angola, and Nigeria fell sharply, with Saudi Arabia dropping from 20.5 per cent in 2015 to 3.5 per cent in 2024.

These recent shifts in trade destinations underscore the growing importance of Asia and the Middle East in the Province's trade portfolio, while also highlighting the urgent need to address infrastructure bottlenecks and policy barriers that hinder trade with African partners. The African Continental Free Trade Area (AfCFTA) presents a major opportunity to unlock regional trade by streamlining processes and enhancing connectivity.

Port of Cape Town: Addressing Challenges and Unlocking Trade Potential

The Port of Cape Town (PoCT) plays a vital role in supporting the Western Cape's trade-driven economy, particularly for agricultural and manufactured exports. In the fourth quarter of 2024, the port handled 172 603 twenty-foot equivalent units (TEUs), a 5.6 per cent decline year-on-year from the 182 865 TEUs handled in the same quarter of 2023. This reduction contrasted with a 9.2 per cent increase at the Port of Durban, while the Port of Ngqura experienced a 10.7 per cent decrease.

Despite the overall decline in throughput, full imported TEUs landed at Cape Town rose by 10.4%, reaching 62 786 TEUs, while full exported TEUs fell by 8.6 per cent to 54 384 TEUs. This indicates shifting trade dynamics and the continued importance of imports for regional supply chains.

South Africa's ports continue to face efficiency and capacity constraints, with the South African Ports Regulator approving a 4.4 per cent tariff increase for 2025/26 to support infrastructure investment. The PoCT, in particular, suffers from equipment downtime, high wind sensitivity, and global competitiveness pressures, which increase costs for exporters and importers.

To address these challenges, the Western Cape Government is clarifying its mandate in the transport space, developing long-term strategic infrastructure plans, and engaging stakeholders on port and rail development priorities. The Province is also working to implement integrated transport projects that align with the investment pipeline, ensuring that port-related upgrades support broader economic growth and trade resilience.

Source: Transnet National Ports Authority; Department of Economic Development and Tourism

2.6 Tourism

The Western Cape continued to shine as one of South Africa's most sought-after travel destinations, recording a vibrant and successful 2024/25 festive season. This momentum signals strong growth prospects in the Province's aviation, tourism, and hospitality sectors. With iconic natural beauty, rich cultural experiences, and improved air connectivity, the Province is regaining its place on the global tourism map.

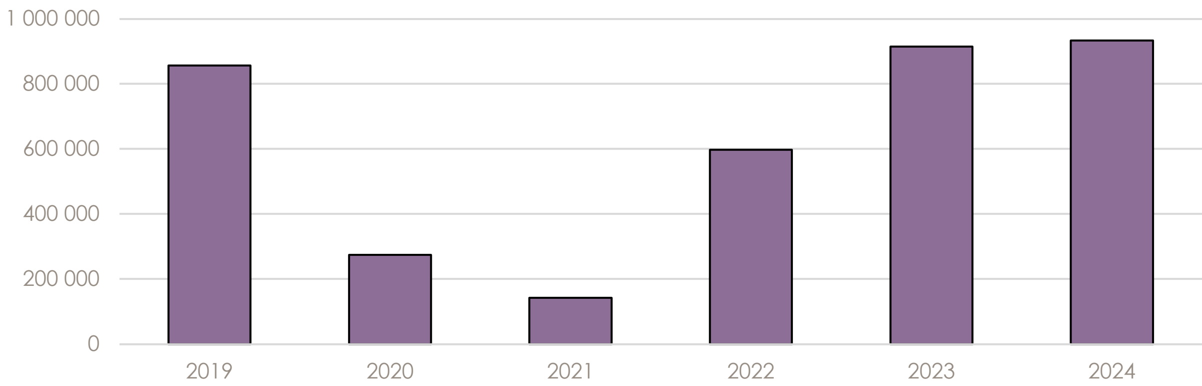
International tourists to the Western Cape spent an average of R17 000[11] in 2024. Visitors from the Middle East recorded the highest average spend at R23 900, followed by those from Europe at R19 900, and South America at R16 900. Travellers from North America and Australasia spent R16 100 and R16 000 respectively, while visitors from Asia averaged R14 800. Tourists from Africa spent an average of R11 900. These figures reflect the strong value international tourists continue to contribute to the provincial economy, with spending patterns varying across regions and underlining the importance of market diversification. The sector's

[11] SA Tourism. Tourism Performance Report. January - December 2024

resilience, built up over years of recovery from the COVID-19 crisis, has translated into renewed job creation, improved hospitality performance, and a steady increase in arrivals.

In 2024, the top 10 tourist attractions for international tourists, were the V&A Waterfront (78.3 per cent) Cape Town Central City (65.9 per cent), Camps Bay (59.8 per cent), Boulders Beach National Park (56.2 per cent), Cape Point (55.4 per cent), the Cape Winelands (53.8 per cent), Table Mountain Cableway (50.5 per cent), Kirstenbosch Botanical Gardens (34.7 per cent), Lion's Head (32.2 per cent) and the Canal Walk Shopping Centre (32 per cent). UNESCO heritage sites such as the Pinnacle Point Site Complex and the Cape West Coast Biosphere Reserve continue to draw heritage and eco-conscious travellers alike.

Figure 2.18 International tourist arrivals at Cape Town International Airport, 2019 - 2024

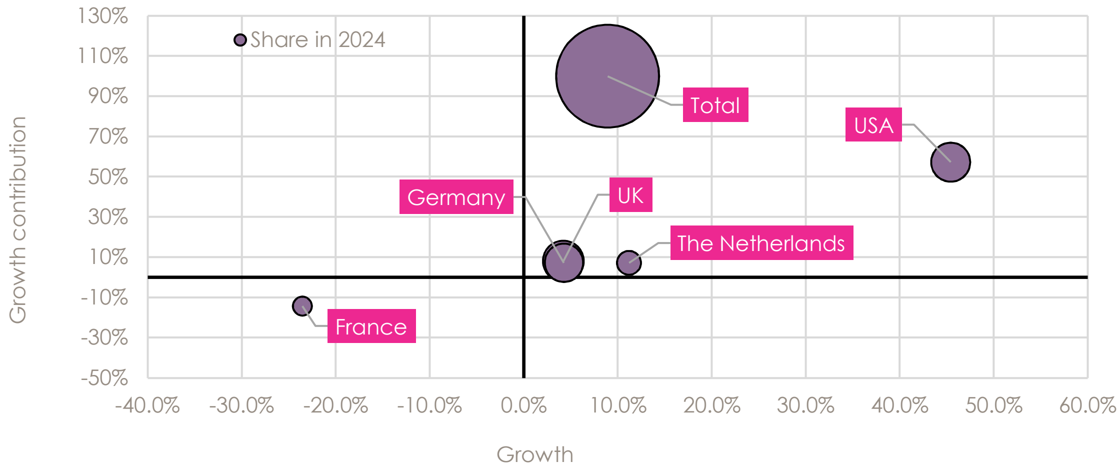


Source: StatsSA

Figure 2.18 shows that tourist arrivals at Cape Town International Airport (CTIA) continued to climb in 2024, increasing by 8.9 per cent from 2020 to 932 831 overnight visitors. Furthermore, the number of tourist arrivals at CTIA increased by 2.0 per cent or 17 860 tourists from the previous year.

As travel normalised post-COVID-19, the United Kingdom retained its position as the leading international source market to the Western Cape in 2024. However, its share declined by 0.7 percentage points from 2019 to 16.4 per cent in 2024, reflecting a slower recovery in arrivals relative to other markets, possibly due to lingering economic pressures, higher travel costs, and shifting travel preferences. The United States followed in second place, increasing its market share by 3.8 percentage points from 2019 to 15.0 per cent in 2024, driven by significant growth of 45.4 per cent in arrivals over the period and supported by stronger long-haul travel demand and expanded airlift capacity. Germany remained the third-largest market, although its share declined by 0.6 percentage points to 14.5 per cent in 2024, as its recovery pace was outstripped by faster growth in arrivals from other source markets.

Figure 2.19 Share, growth, and growth contribution of the top five tourism source countries at Cape Town International airport, 2020 - 2024



Source: Quantec, Own calculations

The Netherlands and France rounded out the top five source markets in 2024, with the Netherlands up by 0.2 percentage points from 2019 to 5.9 per cent, while the share of tourists from France declined by 1.6 percentage points to 3.8 per cent over the same period.

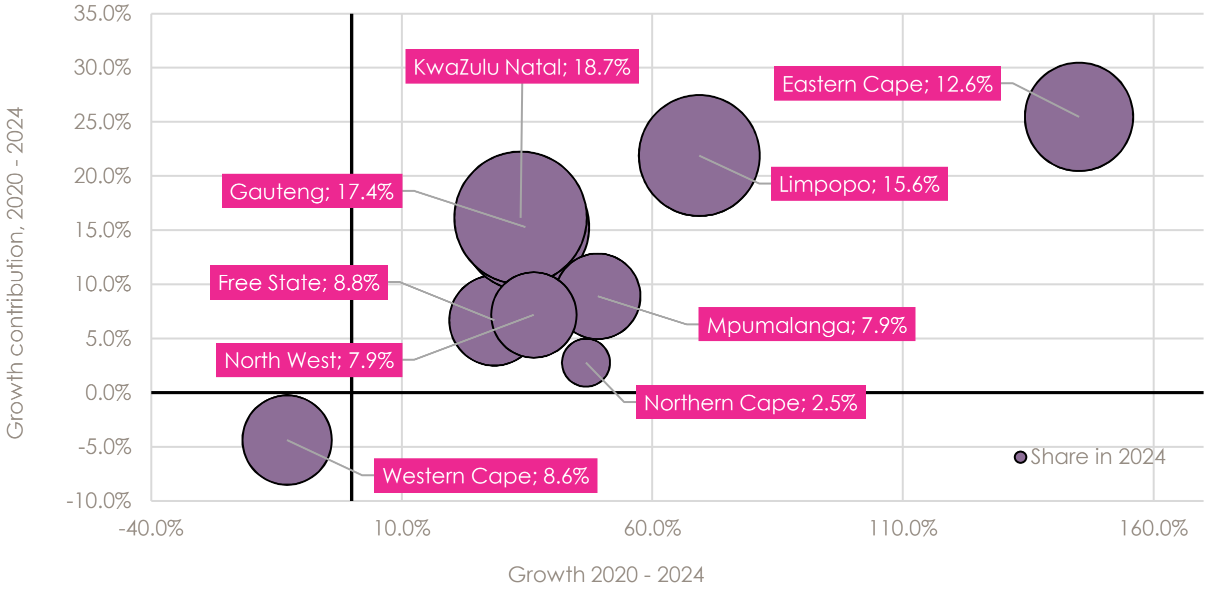
By contrast, the share of African countries like Namibia declined by 0.7 percentage points from 2019 to 2.1 per cent in 2024, while Zimbabwe's share increased by 0.6 percentage points from 2019 to 1.7 per cent in 2024.

On the domestic front, the Western Cape recorded 3.458 million domestic trips as a destination in 2024, a decline of 6.1 per cent from the start of 2020 or 512 670 fewer trips, while the Eastern Cape had the highest growth (145.1 per cent) in domestic trips over the same period. Several factors could explain this divergence. The Western Cape remains a high-cost destination for domestic travellers, with rising airfares and accommodation rates further amplified by the strong rebound of international tourism.

As foreign arrivals returned in 2022 – 2024, prices in Cape Town and other hotspots increased, and thereby crowded out price-sensitive local tourists. By contrast, the Eastern Cape is a predominantly drive-to and visiting friends and relatives (VFR) destination, offering more affordable travel options. Its large outmigration population ensures steady VFR traffic, while targeted marketing campaigns and the Province's focus on outdoor, heritage, and wildlife tourism resonated strongly with domestic demand in the post-pandemic period. This suggests that the Western Cape's tourism growth has become increasingly internationally oriented, while provinces such as the Eastern Cape have captured the recovery in budget-conscious domestic travel.

In 2024, KwaZulu-Natal had the largest share in total domestic trips (18.7 per cent), followed by Gauteng (17.4 per cent) and Limpopo provinces (15.6 per cent).

Figure 2.20 Overnight Trips by main destination province of South Africa, share in 2024; growth and growth contribution between 2020 – 2024



Source: SA Tourism, 2025 & Wesgro

Economic Value of Eco-Tourism

Nature-based tourism continued to flourish in the Western Cape in 2024, with the Province's rich biodiversity and scenic landscapes proving a major drawcard for both local and international visitors. CapeNature-managed provincial reserves saw record-breaking visitor numbers over the festive season, welcoming more than 146 550 overnight and day visitors.

Robberg Nature Reserve, a World Heritage Site, led the surge with a 50% increase in day visitors, while Stony Point Nature Reserve recorded a 28% rise, thanks to its popular African Penguin colony. Die Plaat Beach at Walker Bay earned global acclaim by being named one of Condé Nast Traveller's 34 Best Beaches in the World, the only South African beach to make the list. These natural reserves are not only tourism assets but key enablers of job creation, conservation, and rural economic development.

Initiatives like community-run restaurants and adventure-based concessions at sites such as Robberg and Stony Point are shining examples of how tourism and conservation can drive inclusive growth. Notably, day trips are rising in popularity, reflecting both economic constraints and a growing preference for accessible, immersive outdoor experiences.

CapeNature recorded strong growth in self-catering and camping stays, with Anysberg's campsites experiencing over 40% more bookings and De Hoop's Whale Trail up by 26%. With international interest also on the rise, the Western Cape's natural capital remains one of its most powerful tourism differentiators, offering wellness, adventure, and sustainable development in equal measure.

Source: CapeNature

Economic Value of Filmmaking

The Western Cape has established itself as Africa's leading hub for film production, offering both world-class infrastructure and globally competitive services. Cape Town Film Studios, the continent's first custom-built Hollywood-style complex, anchors the industry with cutting-edge facilities and advanced technologies. The Province's diverse locations, from beaches and vineyards to mountains and urban settings, attract international productions, supported by almost 300 days of sunshine annually.

Film services are a significant export earner, with 45% of South African film-related activity serving international markets in Europe, the United States and Africa. The industry benefits from strong post-COVID recovery trends, with South Africa's overall entertainment and media market growing by 11.7% in 2023, outpacing global averages. Cinema, streaming and related media segments are among the fastest growing, with local content production and talent development emerging as strategic priorities.

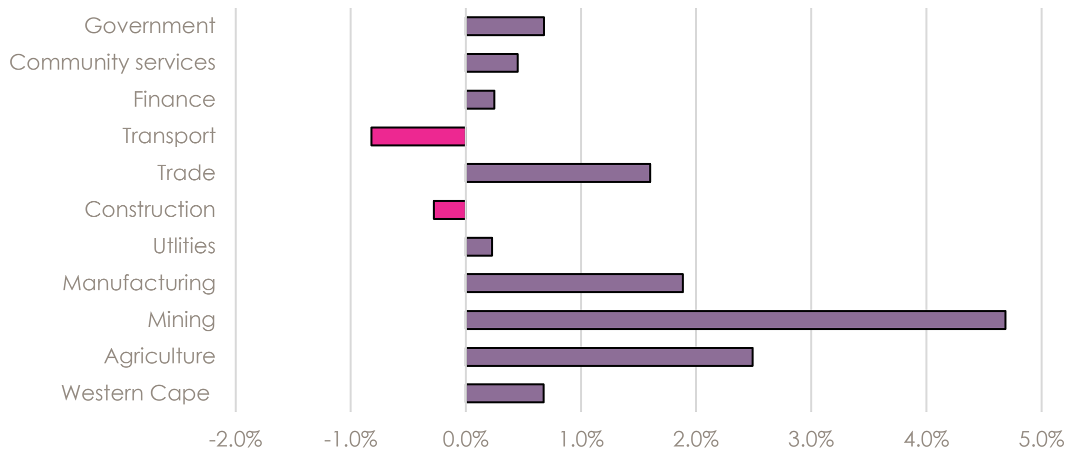
Beyond its contribution to GDP, the sector stimulates employment across a wide value chain, including technical crews, actors, catering, logistics and tourism. Major global productions such as Mad Max: Fury Road and Good Omens have showcased the Province's capabilities, reinforcing its reputation as a competitive and cost-effective film destination. With lower production costs than the U.S. and incentives that include rebates of up to 25%, the Western Cape's film economy is both a driver of exports and a catalyst for creative sector development.

Source: Western Cape Department of Economic Development and Tourism

2.7 Economic Outlook of the Western Cape

The Western Cape faces the effects of a sluggish national economy, which struggles with deep-rooted structural issues. In the 2nd quarter of 2025, the Western Cape's GDP expanded by 0.7 per cent from the previous quarter; 0.1 percentage points lower than South Africa's growth rate, and 1.3 per cent more than the same quarter the previous year. The Mining and Agriculture sectors expanded significantly by 4.7 per cent and 2.5 per cent and Agriculture also made the largest contribution to GDP growth (0.8 percentage points). While Agriculture contributed the most to GDP growth in the second quarter of 2025, its expansion of 2.5 per cent followed a much stronger increase of 15.8 per cent in the previous quarter, reflecting a normalisation from a high base with continued support from horticultural activity.

Figure 2.21 Real GDP growth per sector for the Western Cape, 2Q2025

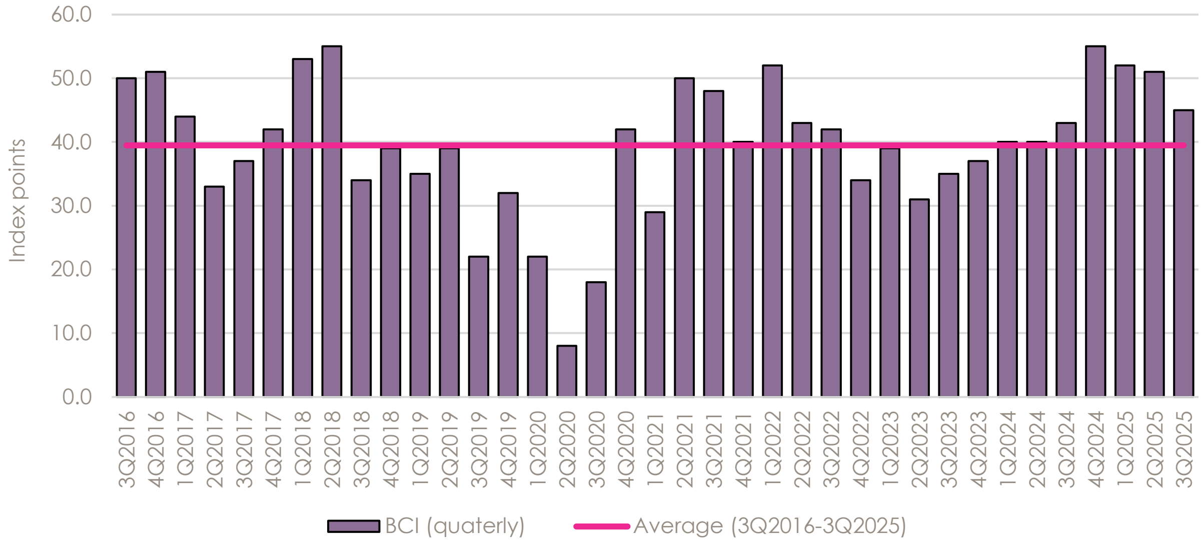


Source: Quantec, Own calculations

The Provincial economy was also well supported by the Trade sector, which expanded by 1.6 per cent, and contributed 0.1 percentage points to total growth in the same quarter.

The Business Confidence Index (BCI) shows how optimistic business leaders are about the economy now and in the future. It is based on regular surveys and helps reveal how companies view the business environment and their outlook. When the BCI rises, it means growing confidence and likely economic growth; when it falls, it signals uncertainty or slowdown. Policymakers, analysts, and investors use the BCI to understand business sentiment and predict economic trends.

Figure 2.22 Western Cape RMB-BER Composite Business Confidence Index, 3Q2016 – 3Q2025



Source: BER

The RMB-BER Composite BCI has experienced considerable volatility over the past decade. After a sharp decline during the COVID-19 period, business confidence rebounded to 52 index points in the 1st quarter of 2022. However, the index slipped to a low of 31 points in the 2nd quarter of 2023, reflecting a fragile recovery amid persistent economic headwinds.

The 3rd quarter BCI for the Western Cape was at 45.0 points, higher than the ten-year quarterly average of 39.5 points but also exceeding the previous year's BCI for the same quarter (43.0 points). After three consecutive quarters of the BCI remaining above 50 points, indicating that more than half of surveyed businesses were positive about future economic prospects, the index declined to 45 points in the third quarter of 2025.

Combining the performance of the Provincial economy over the past decade with the most recent quarterly result indicates where the economy is heading in 2025 and 2026. Growth is projected to accelerate modestly by 0.8 per cent in 2025 and 1.3 per cent in 2026, driven primarily by robust activity in the Finance sector, which is expected to contribute 0.8 percentage points to overall provincial GDP growth in 2025. This resilience in financial services is underpinned by ongoing investment in technology and digitisation, particularly in artificial intelligence and data analytics. While expected lower lending rates during the course of the year will reduce debt default costs and encourage the uptake of credit at commercial banks.

Figure 2.23 Growth and contribution to GDP growth per sector in the Western Cape, 2025 – 2026

Sector	Annual growth		Growth contribution	
	2025 (f)	2026 (f)	2025 (f)	2026 (f)
Agriculture	6.7%	2.3%	0.2	0.1
Mining	0.4%	0.6%	0.0	0.0
Manufacturing	-1.6%	0.0%	-0.2	0.0
Utilities	-1.2%	-0.8%	-0.0	-0.0
Construction	-3.5%	-3.4%	-0.1	-0.1
Trade	1.8%	1.1%	0.2	0.1
Transport	-1.1%	1.9%	-0.1	0.2
Finance	2.9%	2.7%	0.8	0.7
Community services	-0.2%	1.6%	-0.0	0.3
Government	0.0%	0.2%	-0.0	0.0
Western Cape GDP at Market Prices	0.8%	1.3%	0.8%	1.3%

Source: Provincial Treasury

Weather permitting, the Agriculture sector is expected to make a recovery in 2025 based on a low baseline after two consecutive years of contraction. The expected economic recovery is likely to be more subdued due to the phased tariff increases by the United States on South African imports, beginning with a 10 per cent tariff earlier this year, followed by a sharp rise to 30 per cent in early August 2025. This escalation significantly raises export costs and will likely dampen demand, particularly impacting key agricultural products from the Western Cape such as citrus fruits, wine, and macadamia nuts, which are vital to the Province's economy and employment.

The expected outperformance of the Western Cape economy relative to the national economy in 2025, will be mainly due to solid growth expected from the Finance (2.9 per cent) and Agriculture sectors (6.7 per cent) which makes a relatively larger contribution to total GDP in the Western Cape, combined with the expected national contractions for Community services (-0.4 per cent) and Mining sectors (-2.7 per cent) where the Western Cape is relatively less exposed compared to the National economy.

2.8 Conclusion

In 2024, the Western Cape's economy grew by 0.5 per cent, with the Finance, Utilities, and Community Services sectors contributing positively, while Agriculture, Construction, and Trade experienced notable contractions. Over the decade from 2015 to 2024, the Province recorded cumulative GDP growth of 8.3 per cent, but real GDP per capita declined by 8.6 per cent. This reflects population growth outpacing economic expansion, a continuation of trends observed in 2021 and 2023.

The Finance sector remains the Western Cape's dominant economic engine, growing 26.6 per cent over the past decade and contributing significantly to recovery in both GDP and employment. Tourism continued its upward trajectory, with international arrivals at Cape Town International Airport increasing by 67.5 per cent over the decade and domestic travel surpassing 3.4 million trips in 2024.

Employment rebounded sharply from the pandemic, rising 9.7 per cent since the 1st quarter of 2020 and GDP growth. However, structural challenges such as infrastructure decay, extortion in the Construction sector, and ongoing energy and logistical constraints continued to limit broader economic gains. Fixed investment remains subdued, although positive signs has emerged from the Agriculture sector.

Looking ahead, the Western Cape is forecast to grow by 0.8 per cent in 2025, with the Finance sector expected to remain a key growth driver. The Province continues to outperform national averages in several areas. However, unlocking sustained growth will require addressing long-standing structural barriers, particularly in infrastructure, energy, and investment facilitation, to fully realise the Western Cape's economic potential.

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3

Demographic profile

3.1 Introduction

The demographic landscape of the Western Cape is undergoing significant transformation, shaped by interlinked dynamics of increasing life expectancy, fertility decline, and persistent patterns of in-migration. These shifts are altering the size, composition, and age structure of the Province's population, with far-reaching implications for service delivery, labour markets, and economic development. While urbanisation continues to concentrate growth in metropolitan centres such as Cape Town, internal and cross-provincial migration further amplifies the Province's role as a key economic hub.

At the same time, challenges of poverty, inequality, and uneven human development remain deeply entrenched, with structural vulnerabilities often limiting the benefits of demographic and economic progress. Understanding how population dynamics intersect with socio-economic outcomes is therefore critical to guiding policy responses that can foster inclusive growth, spatial equity, and long-term resilience in the Western Cape.

DEMOGRAPHIC PROFILE

OVERVIEW

Population pressures intensify from rapid growth and migration inflows

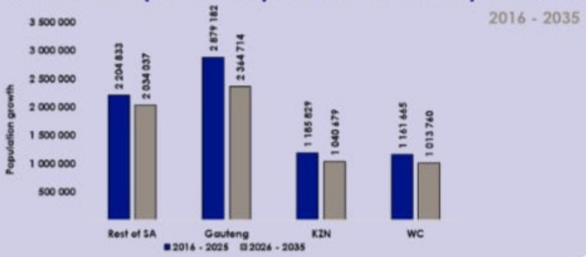
Population Growth and Pressures:

+1.162 million people (18%)
growth, 2nd only to Gauteng 2016 - 2025

By 2035, the Province must absorb an additional 1.127m residents → major pressure on housing, services, and infrastructure.

Current and Expected Population Growth by Province

2016 - 2035

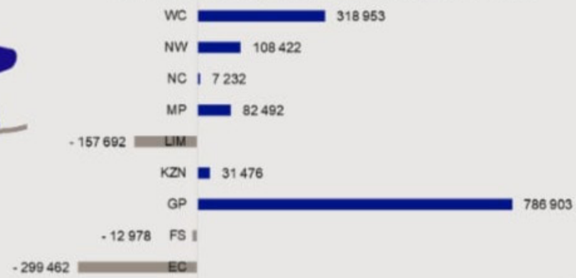


Net in-migration (2021 - 2026):

318 953
second highest after Gauteng

While migration boosts economic potential, it deepens service delivery backlogs, especially in Cape Town Metro.

Estimated Net Migration by Province, 2021 - 2026



Life Expectancy

2021 - 2026

72.2 Years

67.6 Years

Demographic shift towards an ageing population

2016 - 2025 (Share of total population)

Children	Youth	Elderly
24.3% → 21.6%	35.4% → 32.0%	9.7% → 12.3%

Poverty

3.35m ↑ 3.96m
2015 2024

Share of population in poverty has remained stubbornly high (51.5% - 53.8%)

Inequality

0.61 ↓ 0.59
2015 2024

Inequality remains entrenched despite modest decline in Gini coefficient

Human Development

0.75 ↑ 0.76
2014 2023

Strongest outcomes in Cape Metro (0.76) and Cape Winelands (0.75)

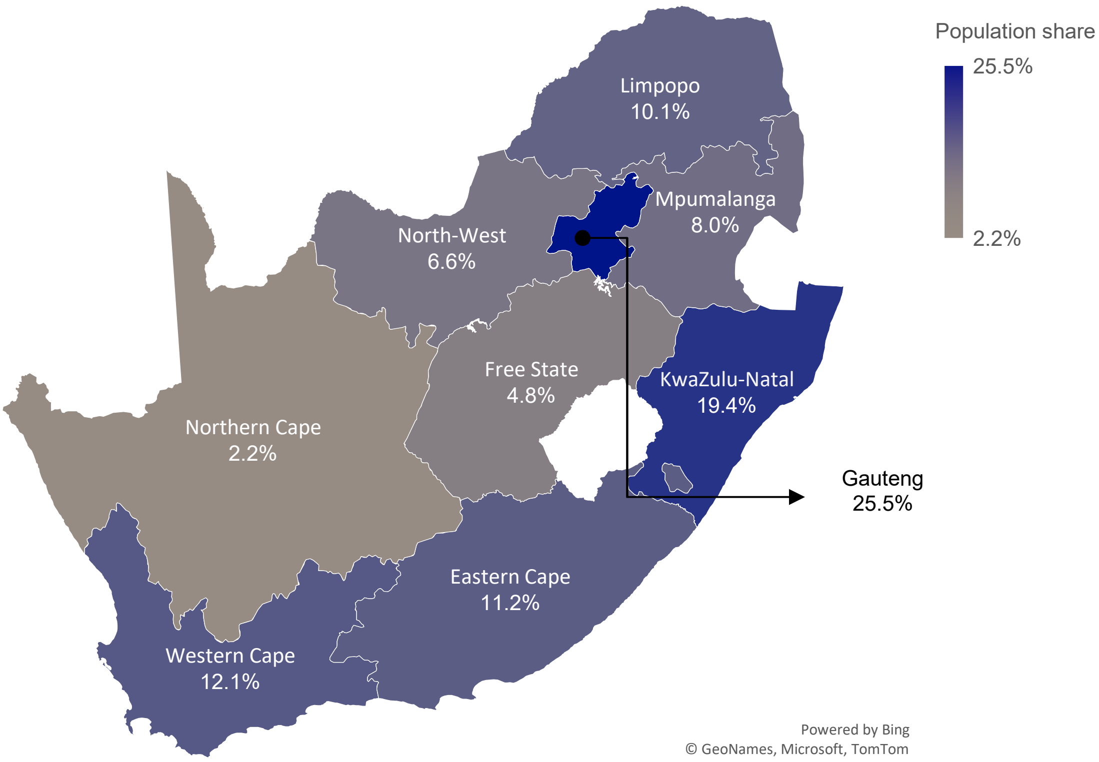
The Western Cape continues to outperform the national average in human development, but persistent poverty, inequality, and ageing trends highlight the need for targeted interventions

3.2 Population dynamics

Population dynamics refer to the patterns and processes that influence changes in population size, composition, and distribution over time. These dynamics are shaped by factors such as fertility, mortality, and migration, and have profound implications for economic development, social services, and environmental sustainability (United Nations DESA, 2024). Rapid population growth can strain public infrastructure and service delivery, while population decline or ageing may lead to labour shortages and increased pressure on social support systems (United Nations DESA, 2022). Understanding these trends is critical for policymakers to anticipate shifts, changes and challenges as well as aligning planning with demographic realities.

Moreover, population dynamics are not uniform across regions and are influenced by historical, cultural, and socio-economic contexts. Urbanisation, for instance, continues to accelerate. More than half of the global population lives in urban areas (Ritchie and Roser, 2023; World Bank, 2023) placing additional pressures on housing, transport, and employment opportunities. At the same time, many developing countries face a youth bulge, which presents opportunities for economic growth, yet risks of instability if adequate education and employment prospects are not provided (United Nations Statistics Division, 2014; United Nations DESA, 2022). Therefore, a nuanced understanding of population trends is essential to guide equitable and sustainable policy responses.

Figure 3.1 Population Estimates by Province, 2025



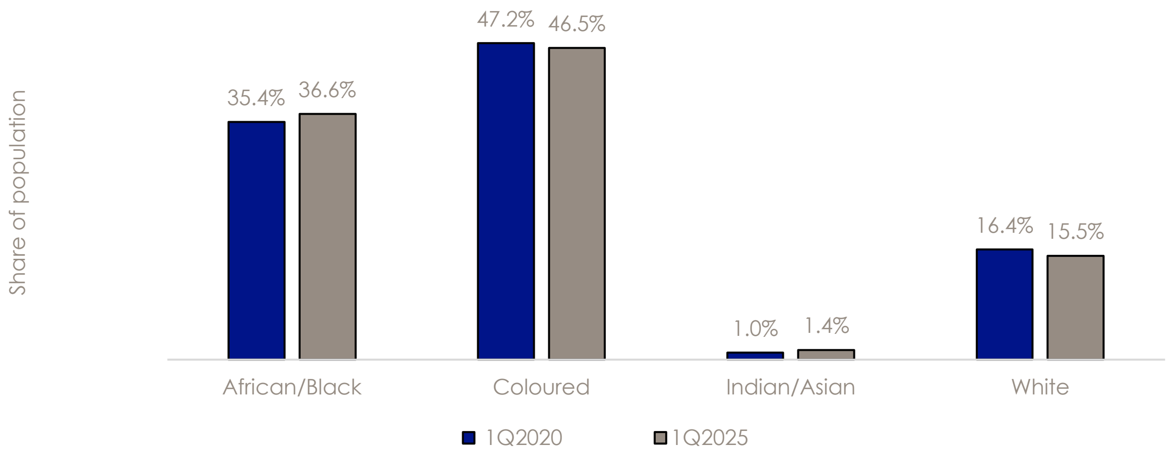
Source: Stats SA, Mid-year Population Estimates, 2025

Figure 3.1 presents the provincial population estimates for South Africa in 2025. The country's population reached approximately 63.1 million people (Stats SA, 2025a). Gauteng remains the most populous province, home to an estimated 16.105 million people (25.5 per cent of the national total), followed by KwaZulu-Natal with 12.232 million (19.4 per cent), and the Western Cape with 7.628 million (12.1 per cent). Collectively, these three provinces account for 57.0 per cent of the national population, highlighting their socio-economic influence within South

Africa. In contrast, the Northern Cape remains the least populous province, contributing just 2.2 per cent to the national population (Stats SA, 2025a). Its low population density coincides with deep spatial inequalities shaped by historical settlement patterns and infrastructure disparities.

South Africa's urbanised provinces, Gauteng, Western Cape, and KwaZulu-Natal, continue to experience mounting pressure from higher rates of population growth and internal migration. These dynamics drive urban sprawl, inefficient land-use, and the growth of informal settlements, especially in metropolitan areas (Segatti, 2011; SACN, 2021). The challenges are compounded by ageing and inadequate public transport infrastructure, resulting in increased congestion, pollution, and high commuting costs (HSRC, 2024). While these provinces serve as key economic hubs, the spatial concentration of opportunity has exacerbated intra-urban inequality, with marginalised communities often excluded from the benefits of growth (Collinson et al., 2009).

Figure 3.2 Racial Composition of the Western Cape, 1Q2020 - 1Q2025

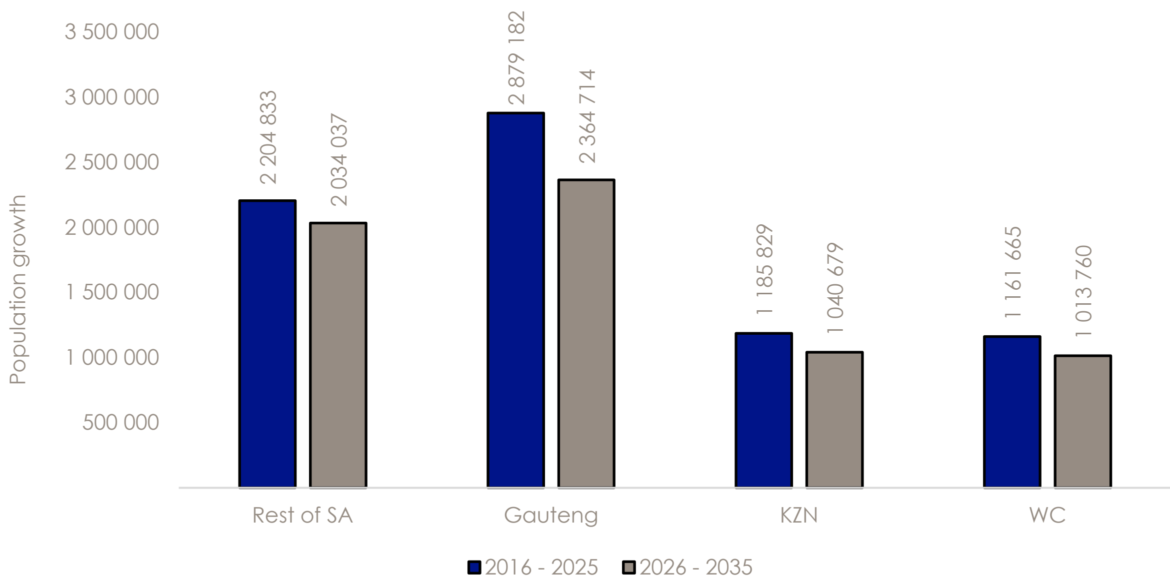


Source: Stats SA, Quantec, Quarterly Labour Force Survey

As illustrated in Figure 3.2, the Coloured population group continues to represent the largest share of the Western Cape's population, followed by the African and White population groups. Between the first quarters of 2020 and 2025, the share of the African population group increased from 35.4 per cent to 36.6 per cent, an increase of 1.2 percentage points. In contrast, the proportion of the White population group decreased from 16.4 per cent to 15.5 per cent (a decline of 0.9 percentage point decline) while the Coloured population group share fell from 47.2 per cent to 46.5 per cent (0.7 percentage point decline). The Indian/Asian population group, though constituting a small minority, grew marginally from 1.0 per cent to 1.4 per cent over the same period (Stats SA, 2025a).

The 2025 Mid-Year Population Estimates indicate that Gauteng and the Western Cape received the highest number of in-migrants for all the periods, while the Eastern Cape, Limpopo, and Gauteng experienced the largest outflows of migrants. International migration flows were also most concentrated in Gauteng, with the Western Cape consistently ranking second (Stats SA, 2025b). The gradual decline in the Coloured and White population group shares aligns with lower fertility rates among these groups, coupled with interprovincial and international migration (Stats SA, 2025c). Urbanisation and labour market dynamics have further influenced these trends, with the Cape Town Metro serving as a primary destination for migrants seeking employment in construction, domestic work, and services (Visagie & Turok, 2020).

Figure 3.3 Population Growth and Expected Population Growth by Province, 2016 – 2035

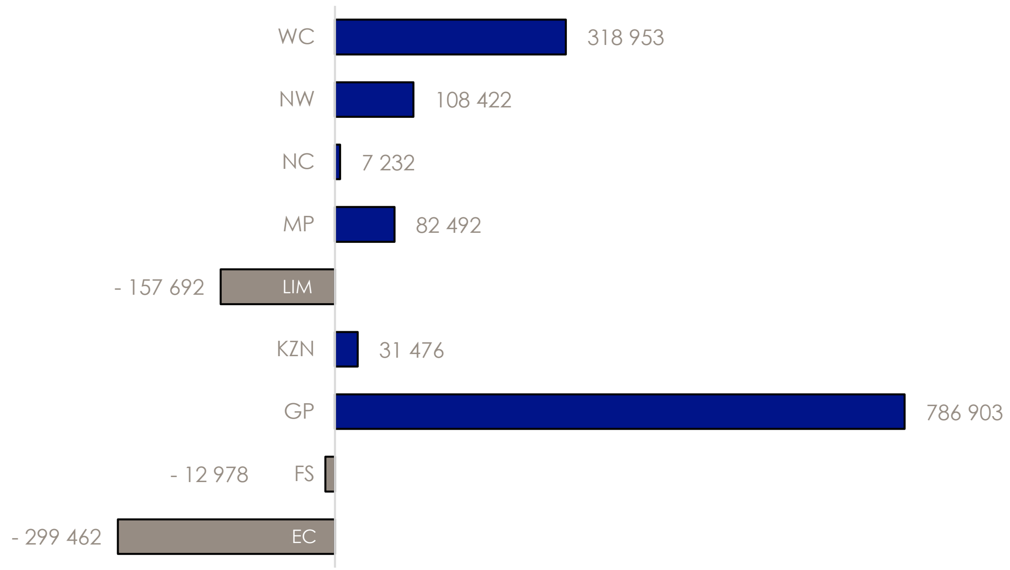


Source: Stats SA, Own calculations, Mid-year Population Estimates, 2025

Figure 3.3 depicts historical and projected population growth for the Western Cape, KwaZulu-Natal, Gauteng, and the rest of South Africa between 2016 and 2035. Between 2016 and 2025, the Western Cape recorded significant population growth of approximately 1.162 million people (an increase of 18.0 per cent), ranking second after Gauteng, which expanded by 2.879 million people (21.8 per cent). KwaZulu-Natal followed with an additional 1.186 million people (10.7 per cent). The Western Cape's population trajectory reflects a combination of natural growth and strong net in-migration, underpinned by perceptions of relatively better employment opportunities, improved service delivery, and a higher quality of life compared to other provinces (Statistics South Africa, 2025a; Turok, 2021).

Looking ahead, projections indicate that the Western Cape will need to accommodate an additional 1.127 million people by 2035. This expected growth highlights the urgency of long-term planning to expand infrastructure, housing, and social services, while addressing spatial inequality and sustainability concerns. Evidence suggests that continued in-migration to Cape Town and surrounding municipalities is likely to exacerbate existing service delivery backlogs, particularly in housing and transport, unless matched by coordinated investment and spatial planning (SACN, 2021; Marais & Cloete, 2022). Without such interventions, rapid population growth risks amplifying urban sprawl, congestion, and socio-economic disparities.

Figure 3.4 Estimated Net Migration by Province, 2021 - 2026



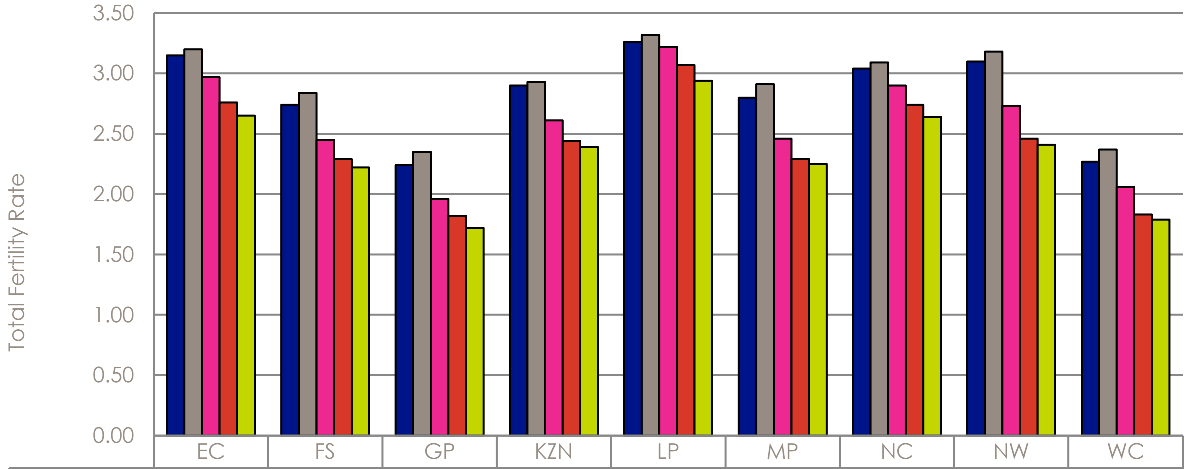
Source: Stats SA, Mid-year Population Estimates, 2025

Figure 3.4 shows significant provincial variation in net migration between 2021 and 2026. Gauteng is projected to experience the highest net in-migration, attracting approximately 786 903 people, followed by the Western Cape with 318 953 migrants. The North West and Mpumalanga provinces also record positive inflows of 108 422 and 82 492 respectively, albeit at a much smaller scale. These trends confirm the continued attraction of urbanised and economically active provinces, where access to employment opportunities, better services, and higher living standards remain key pull factors (Stats SA, 2025a; Turok, 2021).

In contrast, the Eastern Cape and Limpopo show substantial net outflows of 299 462 and 157 692 respectively, highlighting their persistent challenge of losing residents to more economically dynamic provinces. Outmigration from these provinces is largely driven by limited job prospects, weaker infrastructure development, and high levels of poverty (Stats SA, 2025a; Cilliers & Wittenberg, 2020). The Free State also records a modest net loss of 12 978, suggesting gradual outmigration as residents relocate to urban hubs. These dynamics exacerbate regional inequalities, as provinces experiencing outflows often lose younger, working-age populations, while receiving provinces must contend with heightened urban pressures such as housing backlogs, informal settlement growth, and transport congestion (SACN, 2021).

In the Western Cape, careful planning is essential to address the impacts of in-migration, particularly in the Cape Town Metro, where rising demand for affordable housing, transport, and social services continues to outpace supply, reinforcing the urgency for coordinated spatial planning, infrastructure investment, and inclusive urban development strategies (Marais & Cloete, 2022; SACN, 2021).

Figure 3.5 Total Fertility Rate by Province, 2001 – 2026



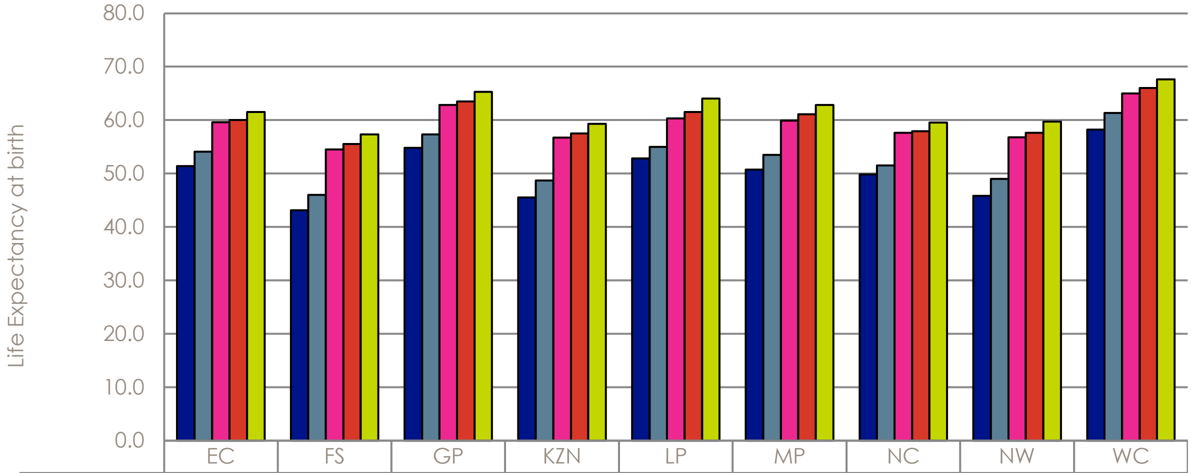
	EC	FS	GP	KZN	LP	MP	NC	NW	WC
2001 - 2006	3.15	2.74	2.24	2.90	3.26	2.80	3.04	3.10	2.27
2006 - 2011	3.20	2.84	2.35	2.93	3.32	2.91	3.09	3.18	2.37
2011 - 2016	2.97	2.45	1.96	2.61	3.22	2.46	2.90	2.73	2.06
2016 - 2021	2.76	2.29	1.82	2.44	3.07	2.29	2.74	2.46	1.83
2021 - 2026	2.65	2.22	1.72	2.39	2.94	2.25	2.64	2.41	1.79

Source: Stats SA, Mid-year Population Estimates, 2025

Total fertility rates (TFR) continue to decline across all provinces in South Africa. Between 2016 – 2021 and 2021 – 2026, fertility levels in the Western Cape (1.83 and 1.79, respectively) and Gauteng (1.82 and 1.72, respectively) fell well below the replacement level of 2.1 children per woman, signalling the onset of potential long-term population ageing and slower natural population growth in these provinces. This demographic transition has implications for dependency ratios, as a shrinking share of the working-age population will be required to support an expanding elderly cohort (Stats SA, 2025a; Moultrie & Garenne, 2021).

The drivers of declining fertility are multifaceted. Increased female educational attainment and labour force participation are strongly associated with delayed childbearing and smaller family sizes (Bongaarts, 2020). Improved child survival rates and wider access to modern contraceptives have further supported fertility decline by enabling effective family planning (Channon & Harper, 2019). Rising urbanisation has also contributed to this shift, as urban residents typically have greater access to healthcare, education, and employment opportunities, all of which influence reproductive behaviour (United Nations, 2022).

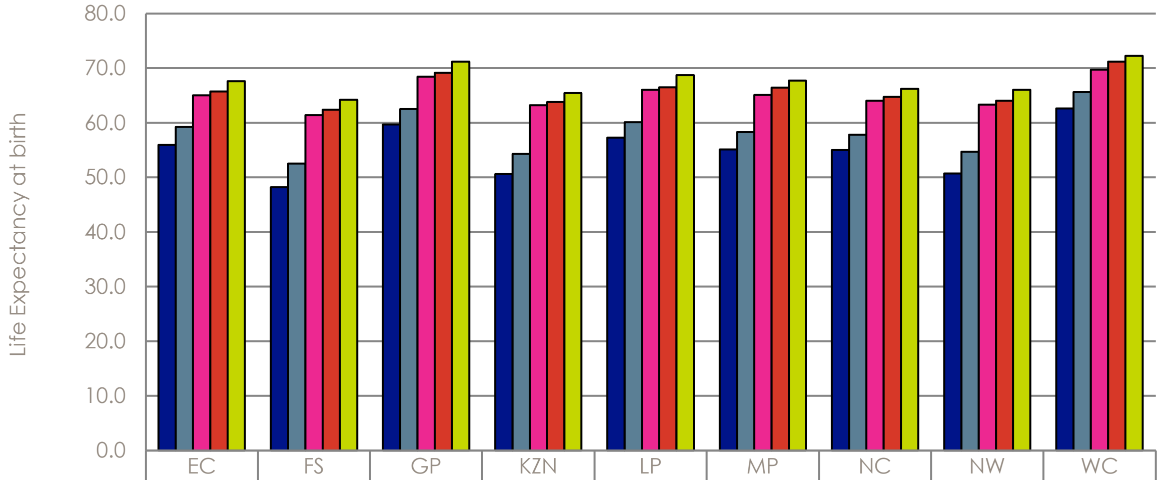
Figure 3.6 Life Expectancy of Males per Province, 2001 – 2026



	EC	FS	GP	KZN	LP	MP	NC	NW	WC
2001 - 2006	51.4	43.1	54.8	45.5	52.8	50.7	49.8	45.8	58.2
2006 - 2011	54.1	46.0	57.3	48.7	55.0	53.5	51.5	49.0	61.3
2011 - 2016	59.6	54.5	62.8	56.7	60.3	59.9	57.6	56.8	65.0
2016 - 2021	60.0	55.5	63.5	57.5	61.5	61.1	57.9	57.6	66.0
2021 - 2026	61.5	57.3	65.3	59.3	64.0	62.8	59.5	59.7	67.6

Source: *Stats SA, Mid-year Population Estimates, 2025*

Figure 3.7 Life Expectancy of Females per Province, 2001 – 2026



	EC	FS	GP	KZN	LP	MP	NC	NW	WC
2001 - 2006	55.9	48.2	59.7	50.6	57.3	55.1	55.0	50.7	62.6
2006 - 2011	59.2	52.5	62.5	54.3	60.1	58.3	57.8	54.7	65.6
2011 - 2016	65.0	61.4	68.4	63.2	66.0	65.1	64.0	63.3	69.7
2016 - 2021	65.7	62.4	69.1	63.8	66.5	66.4	64.7	64.0	71.2
2021 - 2026	67.6	64.2	71.2	65.4	68.7	67.7	66.2	66.0	72.2

Source: *Stats SA, Mid-year Population Estimates, 2025*

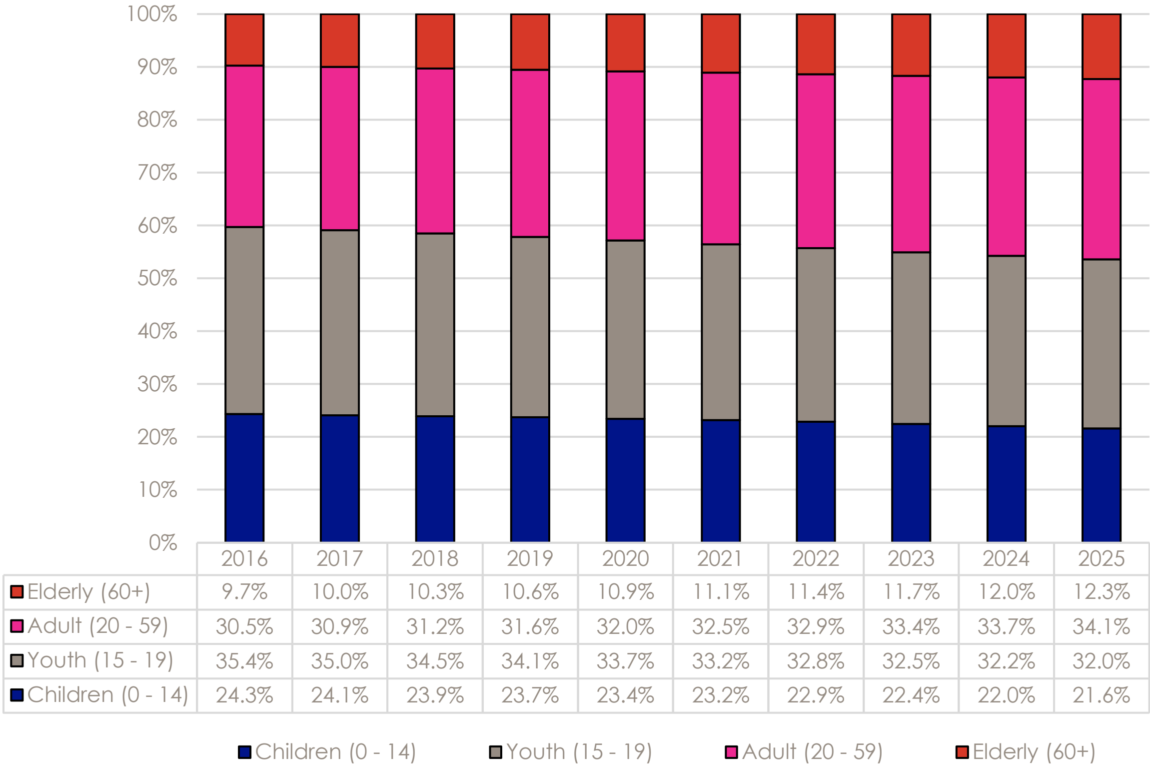
Figures 3.6 and 3.7 illustrate life expectancy trends for males and females across provinces from 2001 to 2026. The data show a steady and sustained increase in life expectancy for both genders in all provinces, reflecting improvements in healthcare access, expanded antiretroviral therapy (ART) coverage, and public health interventions that have mitigated the impacts of HIV/AIDS since the early 2000s (Nannan et al., 2022; Stats SA, 2025a).

Across provinces, females consistently outlive males, with life expectancy gaps ranging from 5 to 7 years in most regions. By 2021 – 2026, female life expectancy in the Western Cape (72.2 years) and Gauteng (71.2 years) is notably higher than in provinces such as the Free State

(64.2 years) and Eastern Cape (67.6 years). Male life expectancy shows similar disparities, with the Western Cape again performing strongly (67.6 years) followed by Gauteng (65.3 years) compared to the Eastern Cape (61.5 years) and Free State (57.3 years) (Stats SA, 2025a).

The persistently shorter male life expectancy is influenced by several factors, including higher prevalence of non-communicable diseases such as cardiovascular illness, as well as exposure to occupational hazards in sectors like mining and construction (Pillay-van Wyk et al., 2019). Risky health behaviours, including smoking, excessive alcohol consumption, and high rates of interpersonal violence, further exacerbate mortality risks among men (Bradshaw et al., 2020). By contrast, women benefit from lower exposure to such risks and more consistent health-seeking behaviour, contributing to their greater longevity (HSRC, 2021).

Figure 3.8 Western Cape Share of Age Groups to Total Population, 2016 – 2025



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Elderly (60+)	9.7%	10.0%	10.3%	10.6%	10.9%	11.1%	11.4%	11.7%	12.0%	12.3%
Adult (20 - 59)	30.5%	30.9%	31.2%	31.6%	32.0%	32.5%	32.9%	33.4%	33.7%	34.1%
Youth (15 - 19)	35.4%	35.0%	34.5%	34.1%	33.7%	33.2%	32.8%	32.5%	32.2%	32.0%
Children (0 - 14)	24.3%	24.1%	23.9%	23.7%	23.4%	23.2%	22.9%	22.4%	22.0%	21.6%

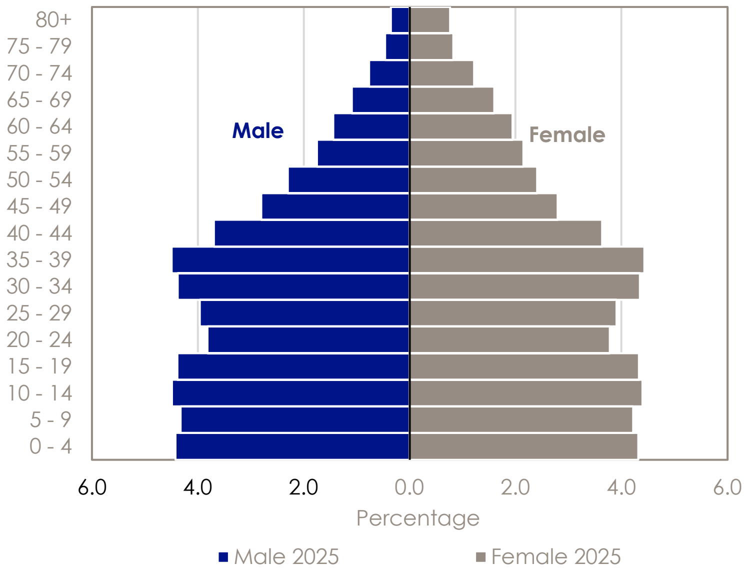
Source: Stats SA, Mid-year Population Estimates, 2025

Figure 3.8 illustrates the changing age structure of the Western Cape's population over the past decade (2016 – 2025). The proportion of children (0 – 14 years) has gradually declined from 24.3 per cent to 21.6 per cent, while the youth (15 – 19 years) share has also reduced from 35.4 per cent to 32.0 per cent. In contrast, the proportion of the adult population (20 – 59 years) has steadily increased from 30.5 per cent to 34.1 per cent, highlighting a continued broadening of the working-age population. The most notable change, however, is the growth of the elderly population (60+), which expanded by 2.6 percentage points from 9.7 per cent to 12.3 per cent over the period. This reflects the Province's demographic transition towards an ageing population (Stats SA, 2025a).

The rising share of the elderly population has important socio-economic implications. An ageing population places additional strain on healthcare systems, social protection, and pension funds, while also reducing the potential size of the labour force and long-term economic growth prospects (World Bank, 2023). International evidence suggests that without reform, ageing can place fiscal pressure on public finances, as observed in advanced economies such as Germany and Japan (Bloom et al., 2015). At the same time, this demographic shift creates opportunities for innovation in health, wellness, and elderly care services, which can stimulate new markets and employment in the social economy (UNFPA, 2023).

The population pyramid is a vital tool for understanding the age and sex distribution of a population. Figures 3.9 and 3.10 present the age pyramids for South Africa and the Western Cape in 2025, highlighting distinct demographic patterns. South Africa's population pyramid shows a broad base, reflecting a large youth population, with almost half of the working-age cohort aged 15–34 (Stats SA, 2025b). This "youth bulge" presents both opportunities and risks. It can fuel growth if harnessed through quality education and job creation, but it also contributes to high youth unemployment in the country, which was recorded at 46.1 per cent in the second quarter of 2025 (Stats SA, 2025c).

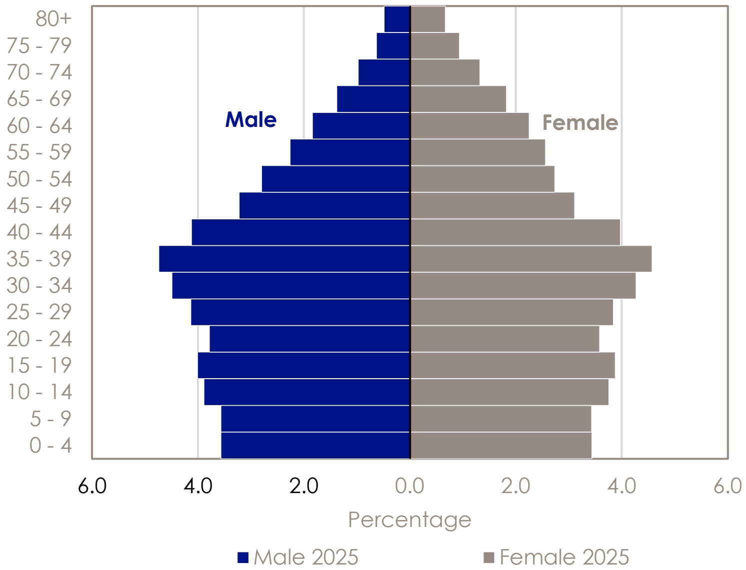
Figure 3.9 National Age Pyramid, 2025 Population Estimate



Source: Stats SA, Mid-year Population Estimates, 2025

In contrast, the Western Cape displays a narrower base due to lower fertility (TFR 1.79, 2021 – 2026), alongside a concentration of working-age adults strengthened by in-migration (Moultrie & Garenne, 2021; Stats SA, 2025a). This demographic profile has enabled the Province to achieve lower youth unemployment (approximately 31 per cent) and higher labour absorption, suggesting that targeted policies in education, training, and labour market interventions can mitigate the risks of a large youth cohort (Stats SA, 2025b). At the same time, both South Africa and the Western Cape are experiencing gradual population ageing, driven by declining fertility and increasing life expectancy (United Nations, 2022). The Western Cape, with a median age of 31 compared to the national 28, already has the highest proportion of elderly (60+ years) at 12.3 per cent, compared to the national average of 10.5 per cent (Stats SA, 2025).

Figure 3.10 Western Cape Age Pyramid, 2025 Population Estimate



Source: Stats SA, Mid-year Population Estimates, 2025

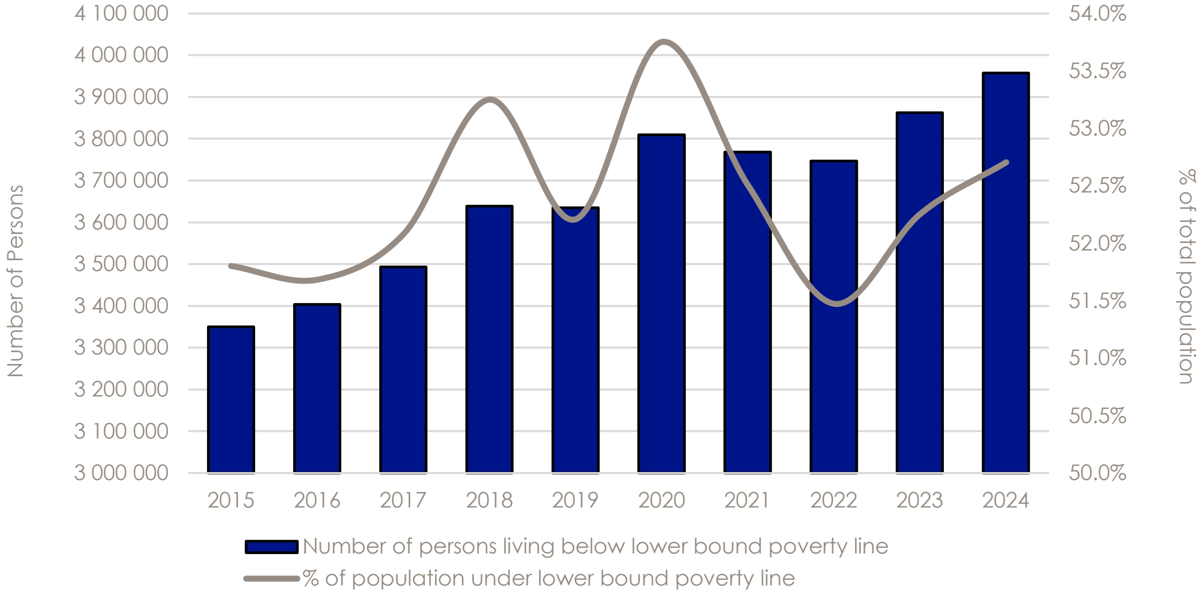
This shift carries significant fiscal and policy implications, including rising demand for healthcare, social support, and pensions. The country therefore faces a dual challenge of addressing the immediate needs of a large youth cohort while preparing for a steadily ageing population. To maximise the demographic dividend and ensure long-term resilience, investments are required in skills development, job creation, and adaptive social services, coupled with proactive planning for eldercare and pension sustainability (OECD, 2020; World Bank, 2021).

The shifts in population size, structure, and distribution outlined above directly shape the Province's social and economic realities. Rapid in-migration and urbanisation fuel pressure on housing, transport, and municipal infrastructure, while declining fertility and rising life expectancy contribute to the gradual ageing of the population. These demographic trends intersect with persistent poverty and inequality, reinforcing spatial disparities between districts and communities. At the same time, the expansion of the working-age population presents opportunities for accelerated growth if matched by job creation, skills development, and improved service delivery. Understanding this interplay between demographic change and socio-economic conditions is therefore critical to assessing the Western Cape's prospects for inclusive and sustainable human development.

3.3 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 3.11 Number & Portion of Persons Below the Lower Bound Poverty Line in the Western Cape, 2015 – 2024



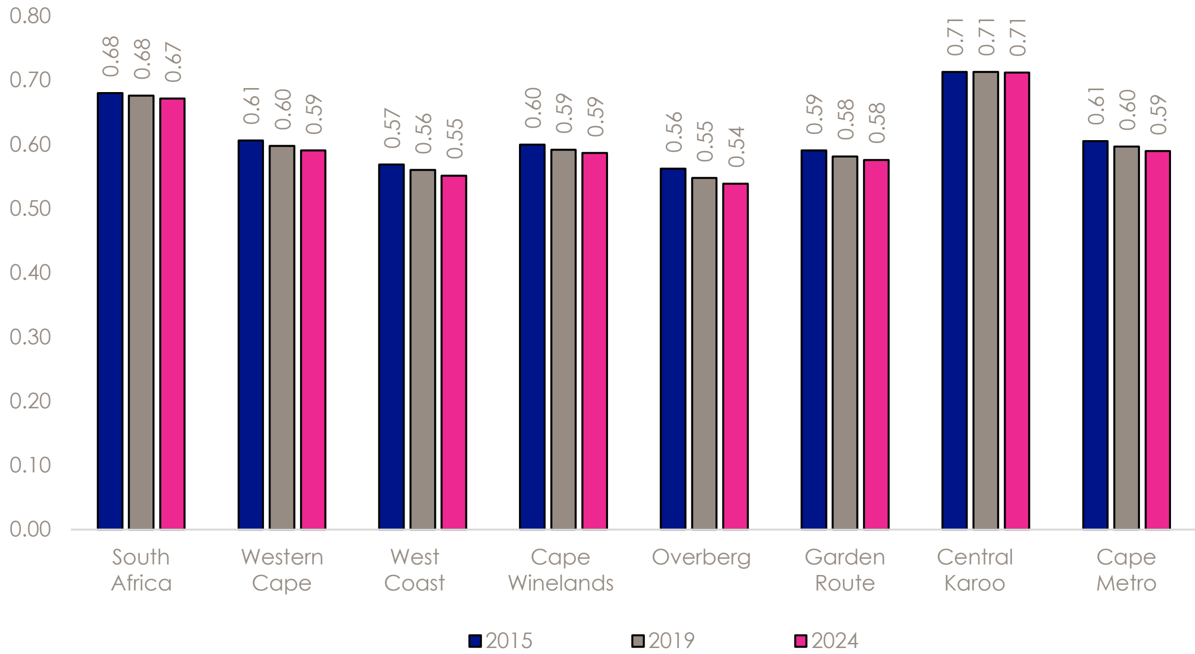
Source: Quantec, Poverty lines and Headcounts at 2016 municipality/ward-based metro region level

Figure 3.11 shows that the absolute number of people living below the lower-bound poverty line[1] in the Western Cape has generally risen from 3.35 million in 2015 to almost 3.96 million in 2024. The number peaked in 2020 at just over 3.8 million, reflecting the severe economic effects of the COVID-19 pandemic, before moderating slightly in 2021 and 2022, and rising again thereafter.

The percentage of the population under the lower-bound poverty line has fluctuated between 51.5 and 53.8 per cent from 2015 to 2024. Notable spikes occurred in 2018 and 2020, largely driven by slowing economic growth and the COVID-19 crisis. While the share declined to its lowest level of 51.5 per cent in 2022, it has since climbed back to 52.7 per cent in 2024.

[1] The Lower-Bound Poverty Line is set at R1 109 per person per month (May 2024 prices). It is defined as Food Poverty Line (FPL): The minimum amount required to afford sufficient food for daily energy needs (2 100 calories per person per day), which in 2024 is R796 per person per month; Plus a basic allowance for non-food needs: This is based on the average non-food expenditure of households whose total spending is equal to the FPL. These households typically sacrifice part of their food consumption to afford essentials such as clothing, shelter, and transport, making this an austere minimum level of non-food spending.

Figure 3.12 Gini Coefficient for South Africa and the Western Cape by District, 2015 – 2024



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

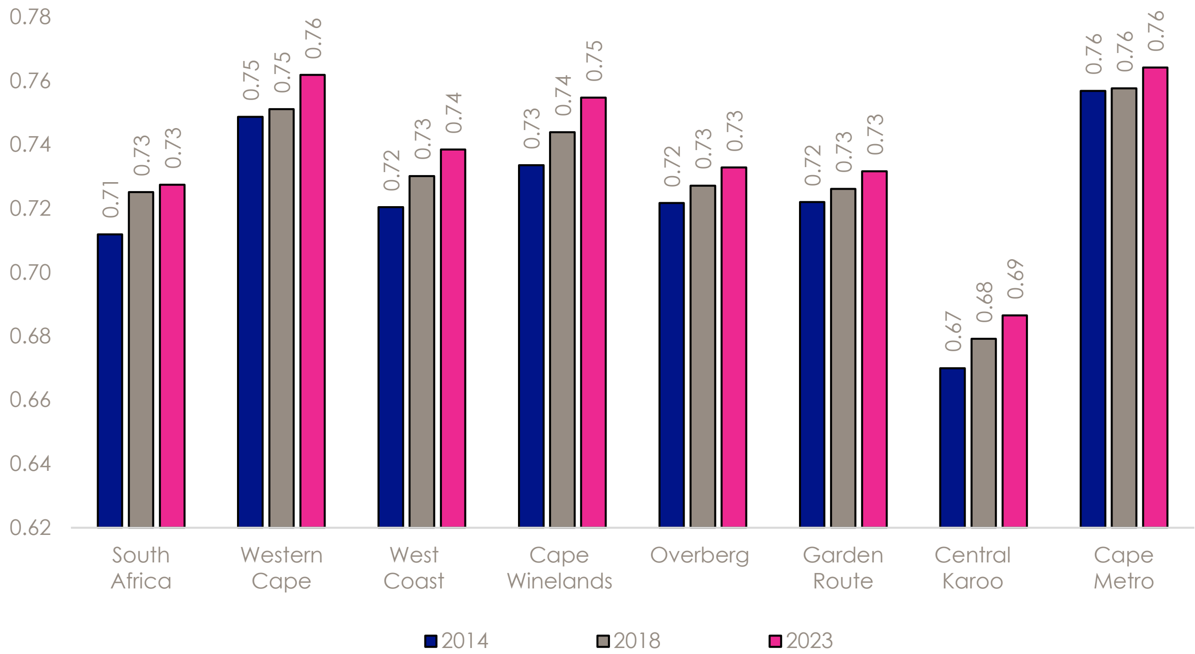
Figure 3.12 shows the changes in the Gini coefficient[2] for South Africa, the Western Cape, and its districts and metro, between 2015 and 2024. The Western Cape demonstrates a gradual decline in inequality, with the coefficient falling from 0.61 in 2015 to 0.59 in 2024. This trend is mirrored across most districts, where small but steady improvements suggest a modest narrowing of income disparities. Notably, the West Coast and Overberg districts exhibit some of the lowest Gini coefficients in 2024 (0.55 and 0.54, respectively), reflecting relatively more equitable income distributions. In contrast, the Central Karoo has persistently high inequality, with its Gini coefficient remaining at 0.71 across all three years, highlighting deeply entrenched disparities (Stats SA, 2025).

High levels of unemployment, skills mismatches, and structural barriers continue to drive inequality despite redistributive measures, including social grants and access to basic services (Bhorat et al., 2021). To sustain progress, further efforts are required to improve education quality, expand access to labour market opportunities, and promote inclusive growth. The Western Cape's economic base, anchored in tourism, agriculture, and services, offers avenues for reducing inequality if coupled with targeted interventions to support small and medium sized businesses, strengthen rural development, and address spatial divides through integrated planning (United Nations Development Programme, 2022).

The Human Development Index (HDI), developed by the United Nations Development Programme (UNDP), is a composite indicator used to evaluate and compare levels of human development across regions and countries. It combines three dimensions: health, measured by life expectancy at birth; education, assessed through mean years of schooling for adults and expected years of schooling for children; and standard of living, captured by Gross National Income per capita (UNDP, 2023). Scores range from 0 to 1, with higher values representing better human development outcomes.

[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.

Figure 3.13 Human Development Index for South Africa and the Western Cape by District, 2014 - 2023



Source: Quantec

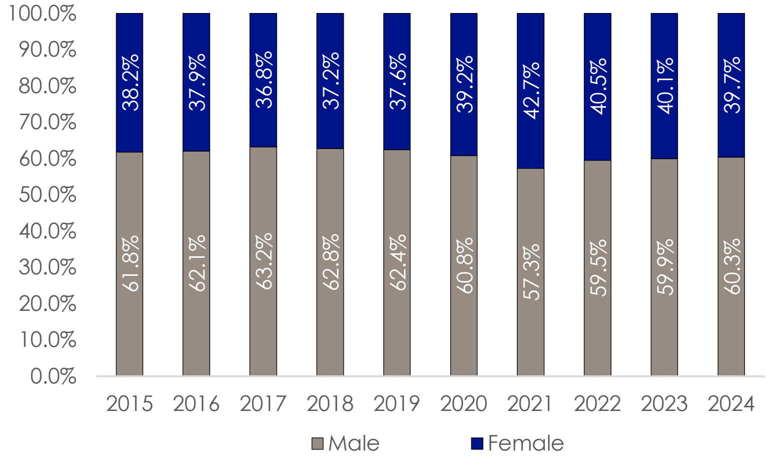
As shown in Figure 3.13, both South Africa and the Western Cape have made gradual improvements in HDI between 2014 and 2023. South Africa's HDI rose from 0.71 in 2014 to 0.73 in 2023, reflecting moderate national progress. The Western Cape consistently outperforms the national average, improving from 0.75 in 2014 to 0.76 in 2023, with the Cape Metro (0.76) and Cape Winelands (0.75) ranking highest within the Province. By contrast, the Central Karoo remains the lowest-performing district despite modest gains, increasing from 0.67 in 2014 to 0.69 in 2023. These patterns highlight persistent spatial disparities, with urbanised areas generally achieving stronger human development outcomes than rural districts (Stats SA 2022; Western Cape Government, 2023).

Improving HDI outcomes requires a multifaceted policy approach, integrating fiscal investment, social spending, and effective governance. Evidence suggests that targeted government expenditure in health and education is strongly associated with higher HDI outcomes, while inclusive labour markets and social protection policies help sustain long-term gains (Sachs et al., 2022). Provincial governments are well-placed to drive improvements by tailoring interventions to local contexts – such as strengthening basic healthcare, expanding early childhood development, improving teacher quality, and addressing spatial inequalities in service delivery. International experience reinforces this approach: in Indonesia, localised investments in compulsory education and community healthcare significantly boosted regional HDI (Permana & Ratnasari, 2021). These findings suggest that place-based, integrated development strategies remain essential to ensuring inclusive human development in the Western Cape.

3.4 Gender and Child Distribution of Household Heads in the Western Cape

Household headship patterns provide critical insights into the social and economic dynamics within the Province. Between 2015 and 2024, male-headed households consistently accounted for the majority share in the Western Cape, although the trend demonstrates gradual shifts over time. In 2015, 61.8 per cent of households were male-headed compared to 38.2 per cent female-headed. By 2024, male-headed households declined slightly to 60.3 per cent, while female-headed households increased to 39.7 per cent.

Figure 3.14 Western Cape Households headed by Gender

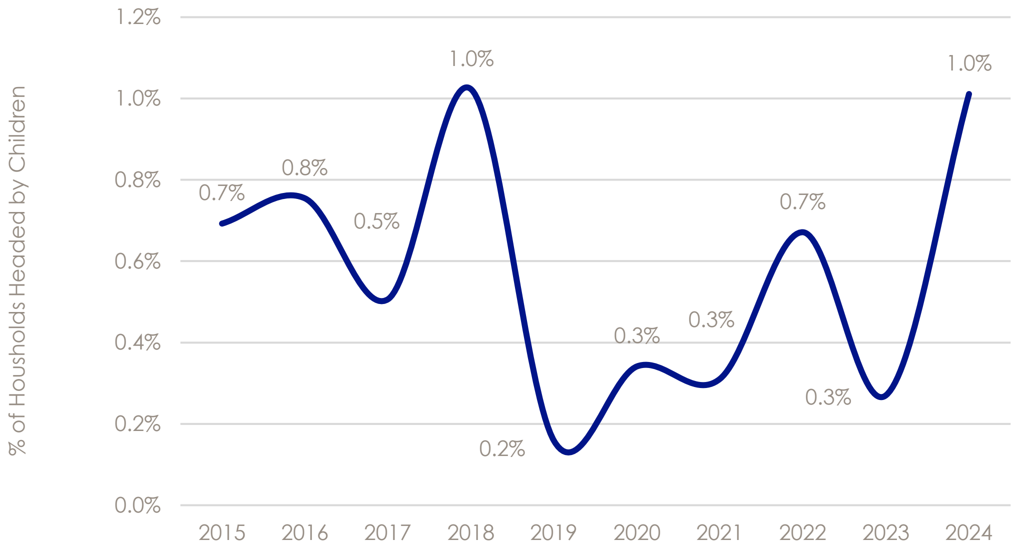


Source: Quantec, Stats SA, General Household Survey

The most notable shifts occurred in 2020 and 2021, when female headship rose to 39.2 per cent and peaked at 42.7 per cent. This temporary spike coincided with the COVID-19 pandemic, which disproportionately impacted male-dominated industries such as construction, manufacturing, and transport. The resultant job losses and increased mortality rates disrupted household structures, leading to a higher share of women taking on household headship responsibilities (Stats SA, 2022; Rogan & Skinner, 2020).

Beyond short-term shocks, several long-term factors underpin this gradual rise in female headship. These include higher male mortality rates, labour migration of male partners, separation or divorce, widowhood, and women's increasing choice for independence. Together, these dynamics mirror broader demographic shifts, including declining fertility rates.

Figure 3.15 Western Cape Households Headed by Children



Source: Quantec, Stats SA, General Household Survey

Although they account for a very small proportion of households, child-headed households remain a pressing concern in the Province. Between 2015 and 2024, they fluctuated between 0.2 per cent and 1.0 per cent of total households. The lowest share was recorded in 2019 (0.2 per cent), while peaks occurred in 2018 and 2024 (both 1.0 per cent). These variations often reflect socio-economic shocks, adult mortality, and household disruption, which place children in vulnerable caregiving positions (UNICEF, 2021; Stats SA, 2023).

Despite these fluctuations, the Western Cape remains broadly aligned with the national trend, where male-headed households still dominate, though female-headed households have been steadily increasing due to multiple socio-economic and demographic factors. These include migration patterns, higher male mortality rates, and persistent challenges of unemployment and vulnerability in poorer households, particularly in rural and peri-urban areas (Posel & Casale, 2021; UN Women, 2023).

Importantly, both female-headed and child-headed households are more vulnerable to poverty and food insecurity, given gender wage disparities, limited access to assets, and the disproportionate caregiving burdens placed on women and children. The gradual increase in female headship and persistence of child-headed households highlights the need for gender- and age-responsive policy interventions which include strengthened social protection and education systems, to ensure inclusive growth and equitable human development outcomes (World Bank, 2022).

3.5 Conclusion

The Western Cape's demographic trajectory highlights a dual reality of opportunity and constraint. On the one hand, a growing working-age population, supported by continued in-migration, presents opportunities for productivity gains and an expanded tax base. On the other hand, the simultaneous rise in the elderly population and persistently high poverty levels highlight mounting pressures on healthcare, social protection systems, and infrastructure.

Although inequality has narrowed modestly in parts of the Province, stark spatial disparities persist, particularly in regions such as the Central Karoo. The Gini coefficient shows a gradual decline in inequality across most districts, but entrenched disparities, particularly in the Central Karoo, remain a concern. The HDI shows steady improvements, but gaps between urban and rural areas remain a concern.

To harness the demographic dividend while mitigating risks, the Province must continue to invest in education, healthcare, and job creation, while strengthening spatial planning and targeted poverty-reduction measures. Ultimately, the Western Cape's ability to translate demographic change into sustainable and inclusive development will depend on policies that are both evidence-driven and place-based, with a strong focus on reducing inequality and improving human development outcomes.

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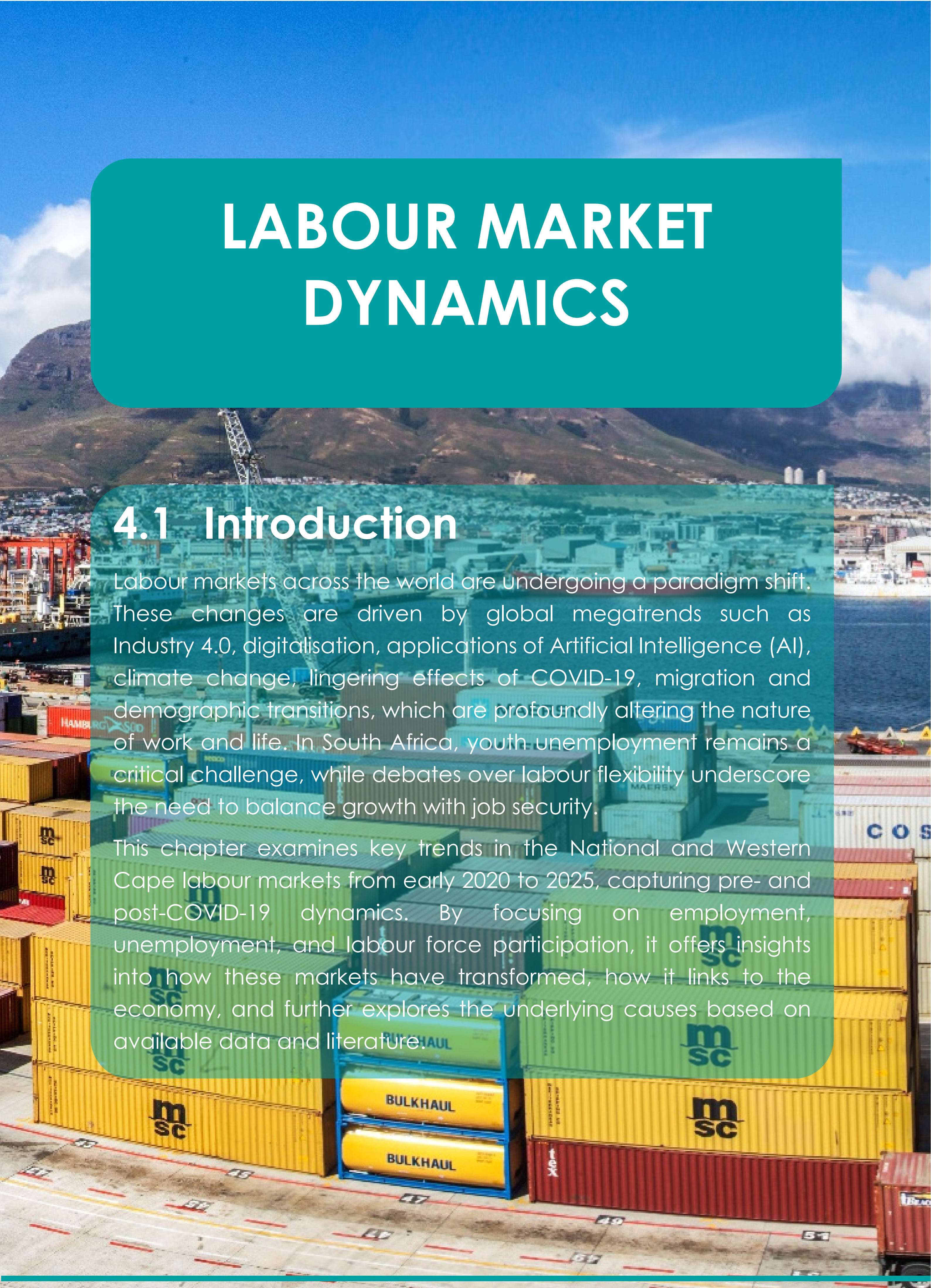


LABOUR MARKET DYNAMICS

4.1 Introduction

Labour markets across the world are undergoing a paradigm shift. These changes are driven by global megatrends such as Industry 4.0, digitalisation, applications of Artificial Intelligence (AI), climate change, lingering effects of COVID-19, migration and demographic transitions, which are profoundly altering the nature of work and life. In South Africa, youth unemployment remains a critical challenge, while debates over labour flexibility underscore the need to balance growth with job security.

This chapter examines key trends in the National and Western Cape labour markets from early 2020 to 2025, capturing pre- and post-COVID-19 dynamics. By focusing on employment, unemployment, and labour force participation, it offers insights into how these markets have transformed, how it links to the economy, and further explores the underlying causes based on available data and literature.

LABOUR MARKET DYNAMICS

OVERVIEW

The Western Cape created 89% of all net jobs in South Africa between 2020 and 2025

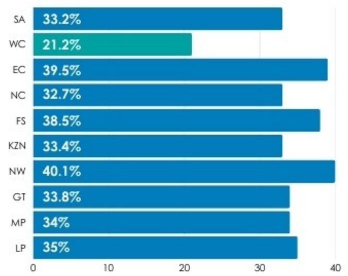
The major contributing sectors were:

Finance Sector 172 475 jobs

Construction Sector 57 341 jobs

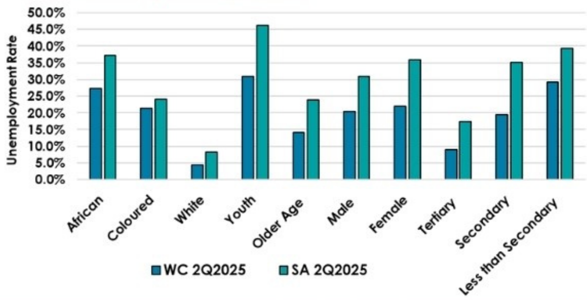
Community Services Sector 55 053 jobs

Provincial Unemployment Rates, 2Q2025



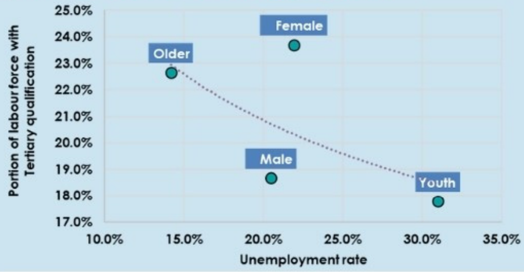
The Western Cape has the lowest unemployment rate in South Africa

Comparison of unemployment rates of the Western Cape and South Africa by cohort, 2Q2025



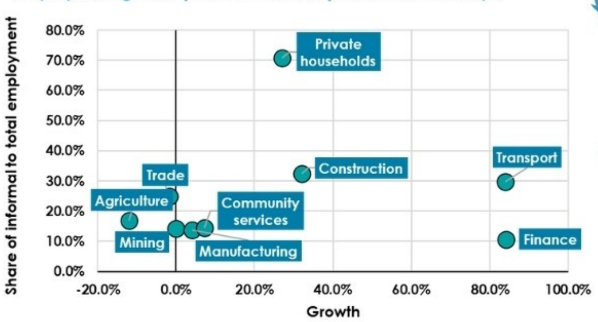
Job Satisfaction

Correlation between unemployment rate and portion of labour force with Tertiary qualifications in the Western Cape, 2Q2025

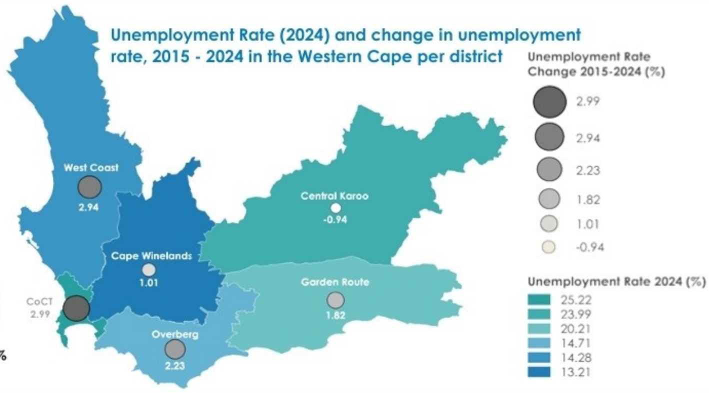


Youth face the highest unemployment and lowest tertiary education share, while older workers show the reverse - highlighting the education-employment link

Share of Informal to total employment (1Q2025) and informal employment growth (1Q2020 – 1Q2025) in the Western Cape



Unemployment Rate (2024) and change in unemployment rate, 2015 - 2024 in the Western Cape per district



The Western Cape unemployment rate fell 1.3 points between 2020 and 2025, reaching 19.6% in Q12025 - below pre-pandemic levels

4.2 The Western Cape Labour Market in Context

Whilst unemployment soared to historic peaks in late 2021 before easing, the Western Cape outpaced the national recovery. From 2020 to early 2025, the Province drove nearly nine-tenths of the country's net job growth, fuelled by sectors such as Finance and Community services. The Province's unemployment rate, which is the lowest nationwide, dipped below pre-pandemic levels, reflecting robust labour force participation and absorption compared to a subdued national trend. Despite the Western Cape's impressive performance, a significant portion of residents remain jobless or economically inactive, with one in four residents who are actively seeking employment being unable to find it.

The high national unemployment rate, still elevated, underscores structural woes, which are exacerbated by weak economic growth and energy shortages. The Western Cape's success, underpinned by targeted policies and governance, among others, offers a blueprint for other provinces. Sustaining the gains made by the Province will require an intensified and continued focus on youth and less-skilled workers to bridge persistent gaps.

The Province's stronger outcomes compared to other provinces, and the national ratios provide a good foundation for labour market improvements.

Impact of COVID-19 Lockdowns on South Africa's Labour Market: Navigating Distorted Data and Long-Term Trends

The COVID-19 pandemic profoundly disrupted South Africa's labour market, with lockdowns severely distorting early data as millions withdrew from job searches, obscuring the true extent of the crisis. To provide a clearer perspective, this chapter focuses on labour trends from the first quarter of 2020 through to 2025, deliberately excluding the second quarter of 2020 when lockdowns began and labour statistics were markedly skewed.

During that initial lockdown phase, the national labour force contracted sharply by 21.4%, while the Western Cape experienced a 17.4% decline, reflecting the widespread inability of many residents to actively seek employment over this period. Paradoxically, unemployment figures appeared to improve, falling by 39.2% nationally and 34.5% in the Western Cape, causing the national unemployment rate to drop by 6.9% points to 23.3% and the Provincial rate to reduce by 4.3% points to 16.6% (StatsSA,2025). Given these distortions, the 2nd quarter of 2020 is excluded as a base year from the long-term analysis, as including it would paint a misleading picture of the South African labour market's trajectory. A snapshot of the 2nd quarter 2025 labour data can be found in Annexure A of this chapter.

4.3 Labour force

The narrow labour force constitutes the productive core of an economy. It is the pool of working-age adults (aged 15 - 64 years) who are either employed or unemployed but available for and actively seeking work (International Labour Organisation ILO, 2023). By supplying the skills, creativity, and effort that power firms and public services, the labour force generates output, drives technological adoption, and ultimately determines the pace of income growth and poverty reduction. When the labour force expands, through demographic change, rising participation, or improved access for previously marginalised groups, the economy's potential output rises commensurately, but when participation stalls, productive capacity and long-run growth are constrained.

The South African labour force

Over the past five years, South Africa's labour force has grown unevenly across population groups, driven by demographic changes and improvements in educational attainment. This shift toward higher education levels reflects evolving workforce dynamics and changing participation trends that shape the labour market.

Between the 1st quarters of 2020 and 2025, the labour force expanded by 6.7 per cent, adding 1.563 million individuals. However, this growth is unevenly distributed across different demographic segments, with the previously disadvantaged population[1] expanding the most (7.9 per cent); while the white labour force declined (-5.9 per cent).

Table 4.1 Composition of the South African narrow labour force, 1Q2020 – 1Q2025

	1Q2020		1Q2025		Change	
	Number ('000s)	Share (%)	Number ('000s)	Share (%)	Number ('000s)	Percentage
Narrow labour Force	**23 452**	**100.0**	**25 016**	**100.0**	**1 563**	**6.7%**
By Race						
African	18 616	79.4%	20 197	80.7%	1 580	8.5%
Coloured	2 193	9.4%	2 263	9.0%	70	3.2%
White	2 027	8.6%	1 907	7.6%	(120)	(5.9%)
By Gender						
Male	12 755	54.4%	13 524	54.1%	769	6.0%
Female	10 697	45.6%	11 491	45.9%	794	7.4%
By Age						
Youth (15 - 34 years)	10 365	44.2%	10 512	42.0%	146	1.4%
Older (35 - 64 years)	13 087	55.8%	14 504	58.0%	1 417	10.8%
By Education						
Less than Secondary	11 069	47.2%	10 256	41.0%	(813)	(7.3%)
Secondary	7 988	34.1%	9 481	37.9%	1 493	18.7%
Tertiary	4 165	17.8%	4 901	19.6%	737	17.7%

Source: Quantec, Own calculations

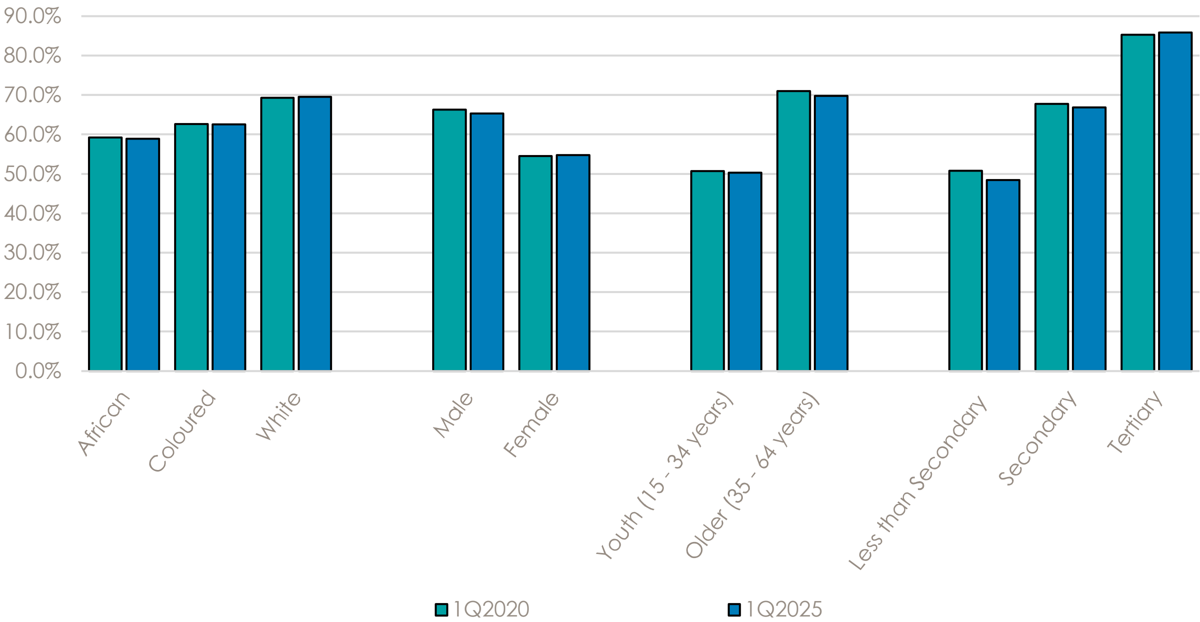
The increase in the labour force among the previously disadvantaged population and the decline in the white labour force can be attributed to divergent growth trends in the working population of these cohorts. While the previously disadvantaged working population increased by 8.5 per cent, the white working population declined by 6.3 per cent.

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] Meaning African and Coloured population groups

Figure 4.1 South African labour force participation rate per cohort, 1Q2020 – 1Q2025



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.

Figure 4.1 highlights that education remains the strongest factor affecting LFPR. Tertiary graduates consistently show an LFPR near 85 per cent, while those with less than secondary schooling hover around 50 per cent. The 37 percentage-point gap in the 1st quarter of 2025 underscores education's vital role and its link to lower unemployment among the highly educated.

Gender gaps in LFPR persist but have narrowed by 1.2 percentage points over five years, reducing the difference between males and females to 10.5 percentage points. This slight increase in the LFPR of women and the narrowing of the gender gap resonates with the observations made in chapter 3. Although this progress has occurred women's LFPR remains lower than mens as it is strongly influenced by their care responsibilities, lack of affordable childcare, skewed education and skills, and entrenched cultural norms assigning women traditional roles. These factors collectively influence women's choice to pursue formal employment and economic opportunities (Beegle, de Weerdt, & Friedman, 2019; Fabrizio, Idowu, & Naidoo, 2024; Vogt & Behar, 2024).

Older workers exhibit a higher LFPR (69.8 per cent) compared to youth (50.3 per cent), partly due to more youth studying full-time and youth disengagement caused by repeated job search failures. Race differences in LFPR are smaller than unemployment gaps but remain notable.

Overall, LFPR has seen little change over five years, with young and low-educated South Africans facing ongoing structural barriers to labour market participation.

The Western Cape labour force

Relative to the national profile, the Western Cape's labour force contains a much higher share of Coloured and White participants and is, on average, slightly older and marginally better educated.

Between the 1st quarters of 2020 and 2025, the Western Cape's labour force grew significantly faster than the national average, expanding by 5.8 percentage points more. The Province saw strong growth in its previously disadvantaged labour force (12.7 per cent). Growth was especially notable among workers with secondary and tertiary education.

Table 4.2 Composition of the Western Cape narrow labour force, 1Q2020 – 1Q2025

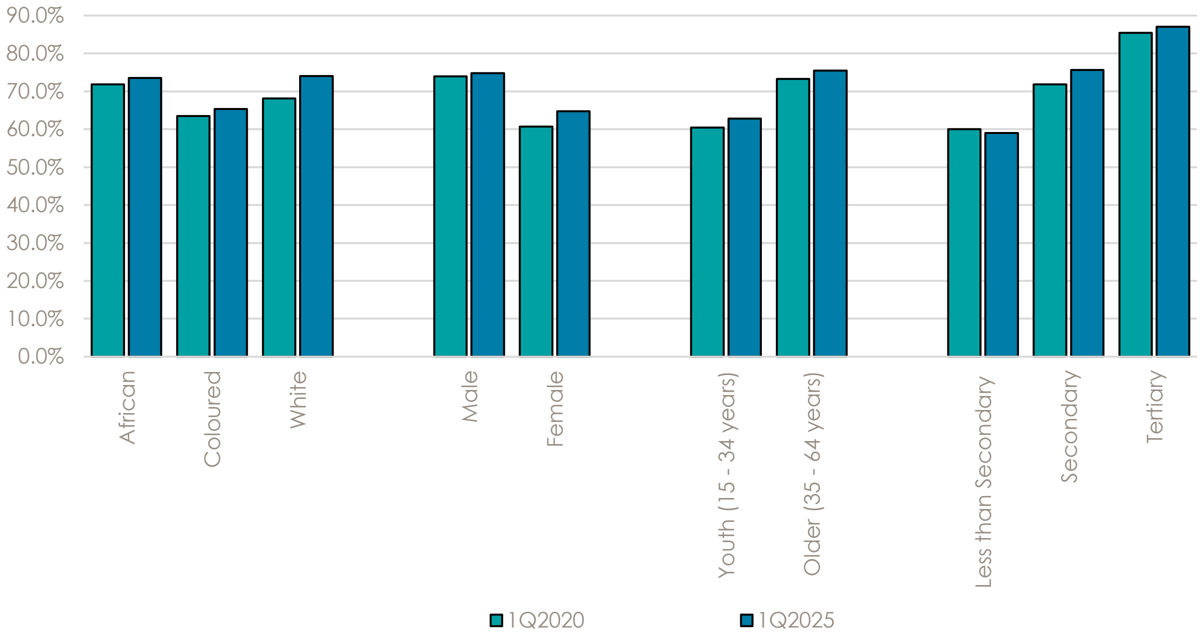
	1Q2020		1Q2025		Change	
	Number ('000s)	Share (%)	Number ('000s)	Share (%)	Number ('000s)	Percentage
Narrow labour Force	**3 163**	**100.0**	**3 558**	**100.0**	**395**	**12.5%**
By Race						
African	1 237	39.1%	1 446	40.7%	210	16.9%
Coloured	1 416	44.8%	1 544	43.4%	128	9.1%
White	482	15.2%	526	14.8%	44	9.1%
By Gender						
Male	1 704	53.9%	1 866	52.5%	162	9.5%
Female	1 459	46.1%	1 692	47.5%	232	15.9%
By Age						
Youth (15 - 34 years)	1 352	42.7%	1 474	41.4%	122	9.1%
Older (35 - 64 years)	1 811	57.3%	2 083	58.6%	272	15.0%
By Education						
Less than Secondary	1 499	47.4%	1 396	39.2%	(103)	(6.9%)
Secondary	1 056	33.4%	1 283	36.1%	227	21.5%
Tertiary	569	18.0%	749	21.1%	180	31.7%

Source: Quantec, Own Calculations

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.

Between the 1st quarters of 2020 and 2025, key trends in labour force participation reveal that higher education attainment is strongly associated with increased LFPR. Older age groups and males consistently exhibit higher participation rates. Participation improved across nearly all cohorts except for those with less than secondary education, where it declined by 1 percentage point. The most pronounced disparities in LFPR are observed across education levels, underscoring education as the primary determinant of labour market engagement.

Figure 4.2 Western Cape labour force participation rate per cohort, 1Q2020 – 1Q2025

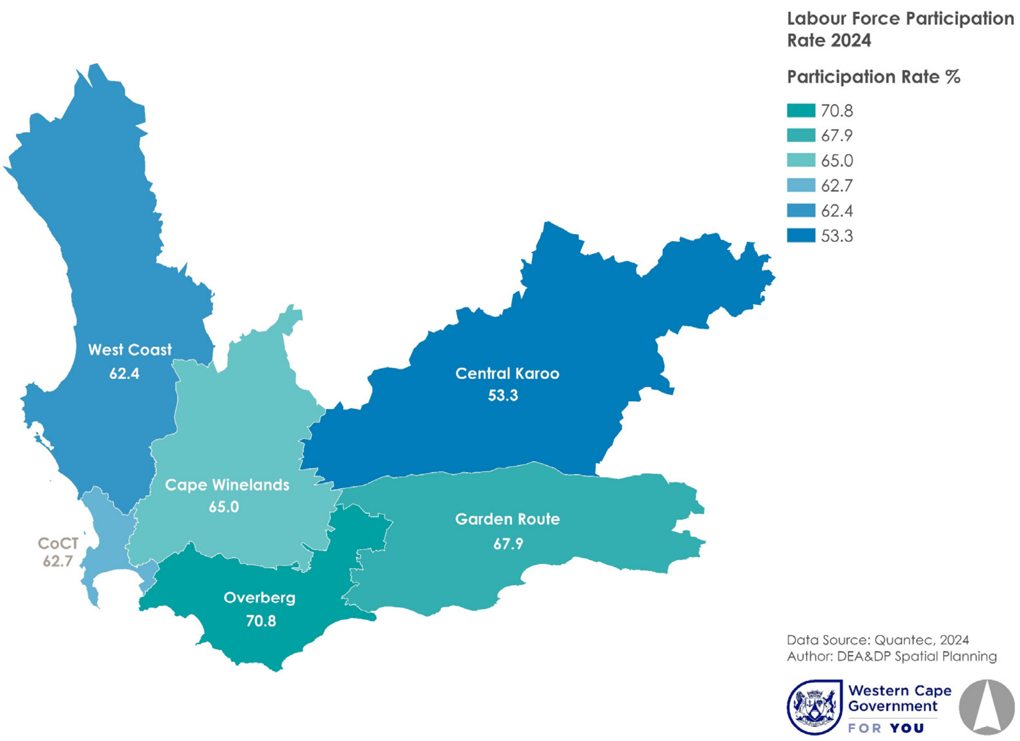


Source: Quantec, Own calculations

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

Household studies show that greater distance from economic hubs reduces job-search intensity and participation (Klasen & Woolard 2009; Hall & Posel 2019; Naudé & Serumaga-Zake 2001; Dinkelman & Pirouz 2005; Ntuli 2007; Mudiriza & Edwards 2021). The Western Cape's urban settlement pattern, combined with good governance and targeted policies, shortens commutes, improves information flows, and increases job-search incentives, drawing more working-age residents into the labour market (Turok & Visagie 2021).

Figure 4.3 Labour Force Participation Rate (LFPR) per district as of 2024



In the Western Cape, deep rural areas (former homelands) do not exist. Accordingly, when looking at the Western Cape, it appears that there is no apparent correlation between rural districts and LFPRs, (see Figure 4.3)[2]. In 2024, the Overberg District had the highest labour force participation rate at 70.8 per cent, followed by the Garden Route (67.9 per cent) and Cape Winelands (65.0 per cent), while the Central Karoo had the lowest labour force participation rate at 53.3 per cent.

4.4 Employment

Employment underpins both individual capability and societal resilience. At the micro-level, it remains the principal route through which households secure command over resources, enabling consumption smoothing and inter-generational investment (Sen, 1999). Work, however, delivers more than income: epidemiological evidence shows that stable, decent jobs are associated with better physical and mental health, primarily through purposive activity, social networks, and skill accumulation (Marmot & Wilkinson, 2006).

At the macro-level widespread employment broadens the tax base, dampens inequality and strengthens social cohesion, thereby reinforcing democratic legitimacy and reducing the fiscal cost of poverty relief (ILO, 2023). In short, inclusive employment growth is both a developmental objective in its own right and a precondition for sustainable, equitable economic progress.

Employment in South Africa

Between the 1st quarters of 2020 and 2025, total employment in South Africa rose by only 2.5 per cent, 4.2 percentage points short of the growth recorded in the labour force. This modest employment expansion reflects the economy's weak performance over the same period; where real GDP expanded by only 2.0 per cent. Robust, sustained output growth (GDP growth) is a prerequisite for large-scale job creation and in South Africa, analysis of the evidence suggests that employment tends to rise almost proportionally with GDP (Meyer 2017)[3].

[2] More analysis is required to confirm this, however.

[3] The analysis indicated that South Africa has experienced an employment coefficient of 0.96 to GDP growth.

Table 4.3 Changes in South African employment per demographic cohort, 1Q2025 – 1Q2025

	1Q2020		1Q2025		Change	
	Number ('000s)	Share (%t)	Number ('000s)	Share (%)	Number ('000s)	(%)
Total employment	**16 383**	**100.0**	**16 787**	**100.0**	**405**	**2.5%**
By Race						
African	12 317	75.2%	12 727	75.8%	409	3.3%
Coloured	1 667	10.2%	1 730	10.3%	63	3.8%
White	1 863	11.4%	1 768	10.5%	(95)	(5.1%)
By Gender						
Male	9 149	55.8%	9 375	55.8%	226	2.5%
Female	7 234	44.2%	7 412	44.2%	178	2.5%
By Age						
Youth	5 891	36.0%	5 668	33.8%	(222)	(3.8%)
Older age	10 492	64.0%	11 119	66.2%	627	6.0%
By Education						
Less than Secondary	7 184	43.9%	6 265	37.3%	(920)	(12.8%)
Secondary	5 483	33.5%	6 167	36.7%	684	12.5%
Tertiary	3 531	21.6%	4 046	24.1%	514	14.6%

Source: Quantec, Own calculations

A striking trend in employment over the period is the divergence across population and education cohorts. White employment fell by 5.1 per cent, the only population group to experience a decline, while youth employment also contracted, contrasting with growth among older age cohorts. This reflects a notable reduction in job opportunities for young workers compared to pre-pandemic levels.

Education-wise, the shifts are even more pronounced: employment among those with less than secondary education dropped sharply by 12.8 per cent, whereas employment for those with secondary and tertiary education rose significantly by 12.5 per cent and 14.6 per cent respectively, highlighting a growing premium on higher skills in the labour market.

Employment in the Western Cape

The Western Cape has emerged as a standout performer in employment growth over the past five years, performing significantly better than other provinces. Between the 1st quarters of 2020 and 2025, the Province's employment growth exceeded National employment growth by 11.9 percentage points across all major cohorts.

Most notably, as illustrated in Table 4.4, employment among the previously disadvantaged surged by 13.4 per cent in the Western Cape, compared to just 3.4 per cent nationally. Youth and female employment also saw robust gains, rising by 13.3 per cent and 16.7 per cent respectively, compared to a 3.8 per cent decline in youth employment and only a modest 2.5 per cent increase for women nationally.

Table 4.4 Changes in Western Cape employment per demographic cohort, 1Q2020 – 1Q2025

	1Q2020		1Q2025		Change	
	Number ('000s)	Share (%)	Number ('000s)	Share (%)	Number ('000s)	(%)
Total employment	**2 501**	**100**	**2 861**	**100.0**	**360**	**14.4%**
By Race						
African	881	35.2%	1 058	37.0%	177	20.1%
Coloured	1 154	46.2%	1 250	43.7%	95	8.2%
White	448	17.9%	514	18.0%	66	14.8%
By Gender						
Male	1 360	54.4%	1 530	53.5%	170	12.5%
Female	1 141	45.6%	1 331	46.5%	190	16.7%
By Age						
Youth	947	37.9%	1 073	37.5%	126	13.3%
Older age	1 554	62.1%	1 788	62.5%	234	15.1%
By Education						
Less than Secondary	1 112	44.4%	1 011	35.4%	(100)	(9.0%)
Secondary	823	32.9%	1 041	36.4%	218	26.5%
Tertiary	531	21.2%	689	24.1%	157	29.6%

Source: Quantec, Own calculations

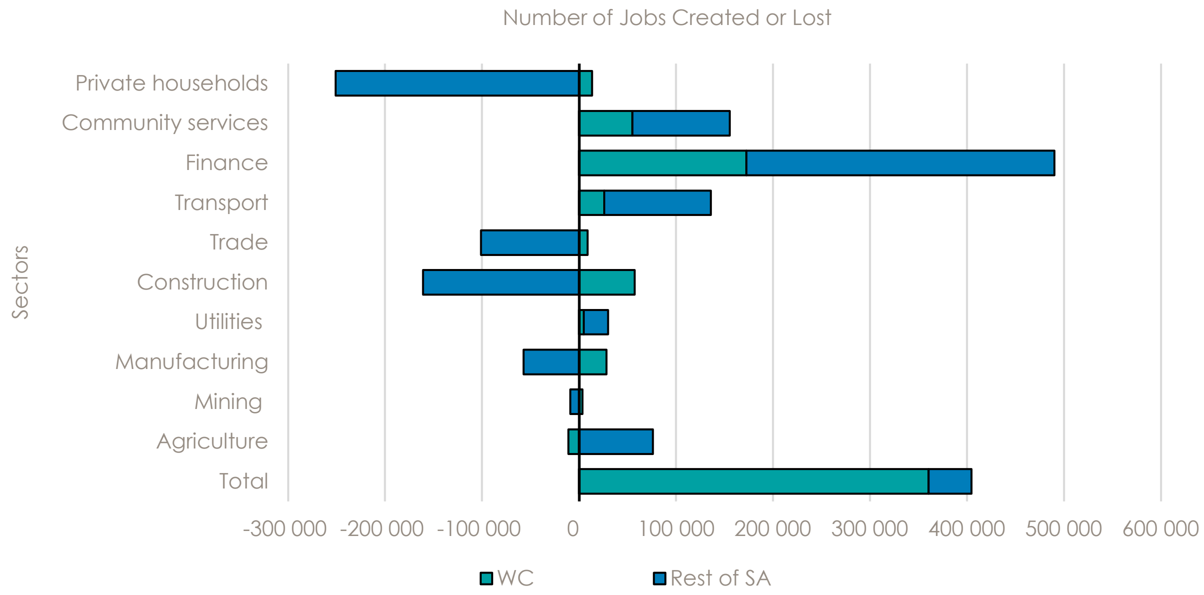
The Less than secondary education cohort uniquely experienced a 9.0 per cent employment decline, underscoring significant employability challenges driven by limited skills, weak labour market connections, and socio-economic barriers (SA Journal of Industrial Psychology, 2018; Cedefop, 2023). The persistent mismatch between labour market demands and available skills highlights the urgent need for targeted vocational training and skills development to enhance job prospects (Lumina Foundation, 2024; RISE Programme, 2022).

While technical training can improve short-term employment outcomes, long-term adaptability is constrained by a lack of transferable skills: both cross-sector technical competencies (such as digital literacy and problem-solving) and core socio-emotional abilities or soft skills (such as communication, teamwork, and adaptability) (Choi, 2019; Hanushek, 2017). Strengthening education and foundational skills, including literacy, numeracy, and basic digital proficiency, is critical to improving employability and fostering resilience in the lower-educated workforce.

The Western Cape accounted for the bulk of all net employment (89.0 per cent) created in South Africa between the 1st quarters of 2020 and 2025, of which a substantial portion can be attributed to the Finance sector (42.6 percentage points).

For South Africa, the Private households services sector (mainly domestic workers) had the most significant employment losses (-251 113 jobs), while the Construction (-160 795 jobs) and Trade sectors (-101 128 jobs) also faced severe employment losses. In stark contrast to employment losses in the Construction sector for South Africa, the Western Cape created 57 341 opportunities in the Construction sector over the same period.

Figure 4.4 Employment loss/gains per sector in the Western Cape and Rest of South Africa, 1Q2020 – 1Q2025



Source: Stats SA, Own calculations, Quantec

Employment-creation requires a portfolio of mutually reinforcing interventions that expand both labour demand and the employability of work-seekers. South-African evidence shows that new and young firms account for a disproportionate share of net job gains, whereas large incumbents often shed labour through capital-deepening (Kerr, 2018; Charman, 2017). Policies that lower regulatory and financial barriers to entrepreneurship, especially in township and rural markets, therefore, raise aggregate employment more effectively than blanket wage subsidies (Fourie, 2018).

At the same time, sustained investment in basic education, Technical and Vocational Education and Training colleges, and short-cycle digital skills programmes is essential to align labour supply with evolving demand; provinces that expanded vocational pathways, such as the Western Cape, record higher absorption rates for youth and matriculants (Rogan, Friderichs, and Needham, 2024). Finally, capital formation complements these measures by lifting the productivity ceiling in South Africa – although benefits may differ depending on the sector (Habanabakize and Dickason-Koekemoer, 2022). In short, entrepreneurship support, skills investment and productive-capital expansion form the backbone of any credible job-creation strategy.

4.5 Informal employment

Informal employment[4] remains indispensable in both rich and poor economies, employing large numbers of people where formal jobs are scarce. For many low-income households, it is the main (sometimes only) source of earnings, offering adaptable arrangements for individuals shut out of formal employment by educational, spatial or macro-economic constraints (Williams & Round 2008).

[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.

The sector can also spur local entrepreneurship and strengthen community networks, thereby contributing to economic development (Williams & Round 2009). However, informality carries a few significant downsides, including limited social protection, irregular pay and heightened risk of exploitation, underscoring the need for policy responses that acknowledge its heterogeneous character and intricate dynamics (Chen & Vanek 2013).

Furthermore, the true size of the informal sector of a given country is difficult to measure, although there are some innovations in measurement methods that are improving this, such as using mobile money transactions to better measure the size of the informal sector and the employment it creates.

Informal employment in South Africa

In South Africa's complex and evolving labour market, informal employment continues to play a vital role in creating and sustaining livelihoods and economic activity. In the 1st quarter of 2025, informal employment accounted for a significant 30.4 per cent of total employment, with the highest concentrations found in Private households (78.5 per cent), Construction (49.1 per cent), Trade (40.9 per cent), and Transport sector (40.4 per cent). These figures show the proportion of workers in each sector who are informally employed, not percentages that add up across sectors.

Table 4.5 Change in informal employment per sector in South Africa, 1Q2020 – 1Q2025

	1Q2020		1Q2025		Change		Share of informal to total employment	Total Employment Per Sector
	Number ('000s)	Share (%)	Number ('000s)	Share (%)	Number ('000s)	Share (%)		('000s)
Total employment	**4 863**	**100.0**	**5 102**	**100.0%**	**239**	**4.9%**	**30.4%**	**16 787**
Industry								
Agriculture	282	5.8%	305	6.0%	23	9.8%	32.8%	930
Mining	13	0.3%	17	0.3%	4	1.6%	4.0%	431
Manufacturing	335	6.9%	384	7.5%	49	20.6%	22.9%	1 677
Utilities	5	0.1%	12	0.2%	7	2.8%	8.2%	145
Construction	618	12.7%	609	11.9%	(9)	(3.8%)	49.1%	1 240
Trade	1 319	27.1%	1 321	25.9%	2	1.0%	40.9%	3 228
Transport	394	8.1%	457	8.9%	63	26.3%	40.4%	1 131
Finance	321	6.6%	453	8.9%	132	55.3%	15.1%	3 008
Community services	544	11.2%	698	13.7%	154	64.3%	17.8%	3 914
Private households	1 033	21.2%	847	16.6%	(187)	(77.9%)	78.5%	1 078

Source: Quantec, Own calculations

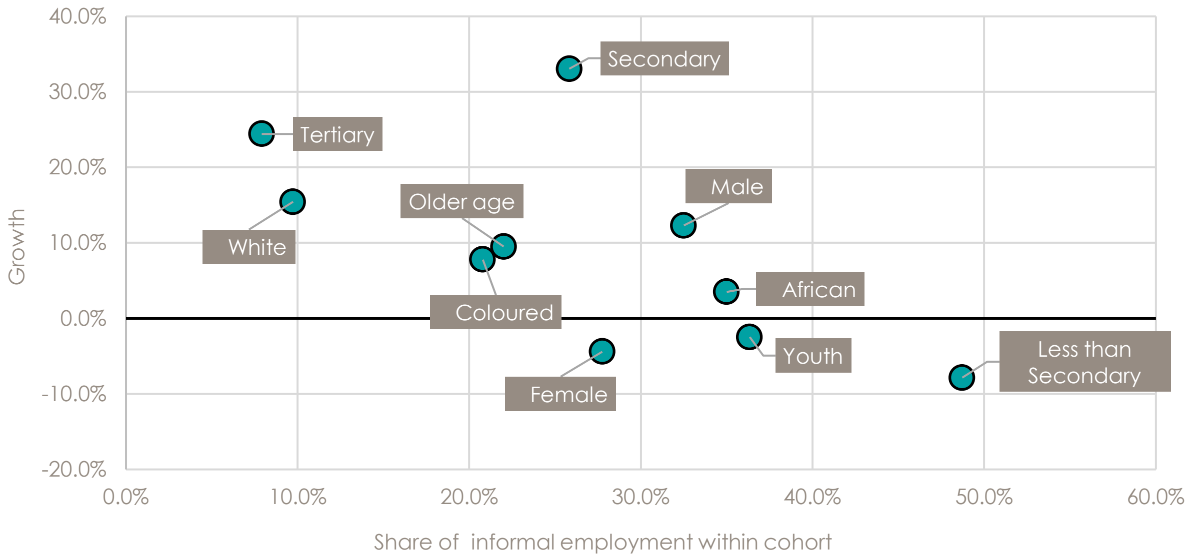
Between the 1st quarters of 2020 and 2025, informal employment increased by 4.9 per cent in South Africa, with notable contractions in the Private households (-77.9 per cent) and Construction sectors (-3.8 per cent). Over the period, the Private households and Construction sectors combined lost 195 574 informal employment opportunities.

Given that just under a third of total employment in South Africa is informal, it is imperative to discuss the best ways to harness this by increasing the productivity of informal workers and micro-enterprises to drive inclusive and sustainable economic growth in South Africa. While vocational training and access to micro-finance remain important, recent research urges a shift from viewing informality as merely transitional (Rogan & Skinner, 2019).

The informal economy is structurally embedded, shaped by spatial inequality, low education levels, and rigid formal sector entry points (OECD, 2024). Transitions to formality are often rare and may reduce earnings for lower-tier informal workers (OECD, 2024). Charmes (2019) further argues that informal employment is not necessarily a residual or survivalist activity, but often reflects systemic economic dualism, with many informal enterprises operating as stable and long-term income sources. Therefore, a tiered approach is recommended, providing social protection for vulnerable workers while supporting formalisation only where it is viable and beneficial (Williams, 2017). This more nuanced strategy recognises the diversity of informal activities and prioritises livelihood security over blanket formalisation (Williams, 2017; Charmes, 2019).

In the 1st quarter of 2025, informal employment was notably a vital source of employment within the Less than secondary education cohort (48.7 per cent). Furthermore, informal employment was also a key source of employment within Youth (36.3 per cent), and Male cohorts (32.5 per cent).

Figure 4.5 Informal Employment share (1Q2025) and growth (1Q2020 – 1Q2025) by cohort in South Africa



Source: Quantec, Own calculations

Informal employment has surged among educated South Africans between the 1st quarters of 2020 and 2025, signaling important shifts in the labour market. The Secondary and Tertiary education cohorts saw informal employment grow by 33.0 per cent and 24.4 per cent respectively, while the Less-than-secondary-education group experienced a sharp decline of 7.8 per cent. These trends suggest that many with secondary and tertiary qualifications are increasingly turning to the informal sector to earn a living and supplementing their current income streams.

Informal Employment in the Western Cape

In the 1st quarter of 2025, the informal sector played a smaller role in total employment in the Western Cape, contributing 21.3 per cent, or 9.1 percentage points less than the national average. However, informal employment in the Western Cape grew much faster, rising by 19.5 per cent between the 1st quarters of 2020 and 2025, compared to a more modest 4.9 per cent increase nationwide.

Similar to the South African labour market, the share of informal to total employment in the Western Cape was more significant among the previously disadvantaged, as well as Male, Older age, and Less than secondary education cohorts in the 1st quarter of 2025. The growth in informal employment over the period can largely be attributed to strong growth among the previously disadvantaged (20.9 per cent), Male (23.5 per cent) and Secondary education cohorts (51.1 per cent).

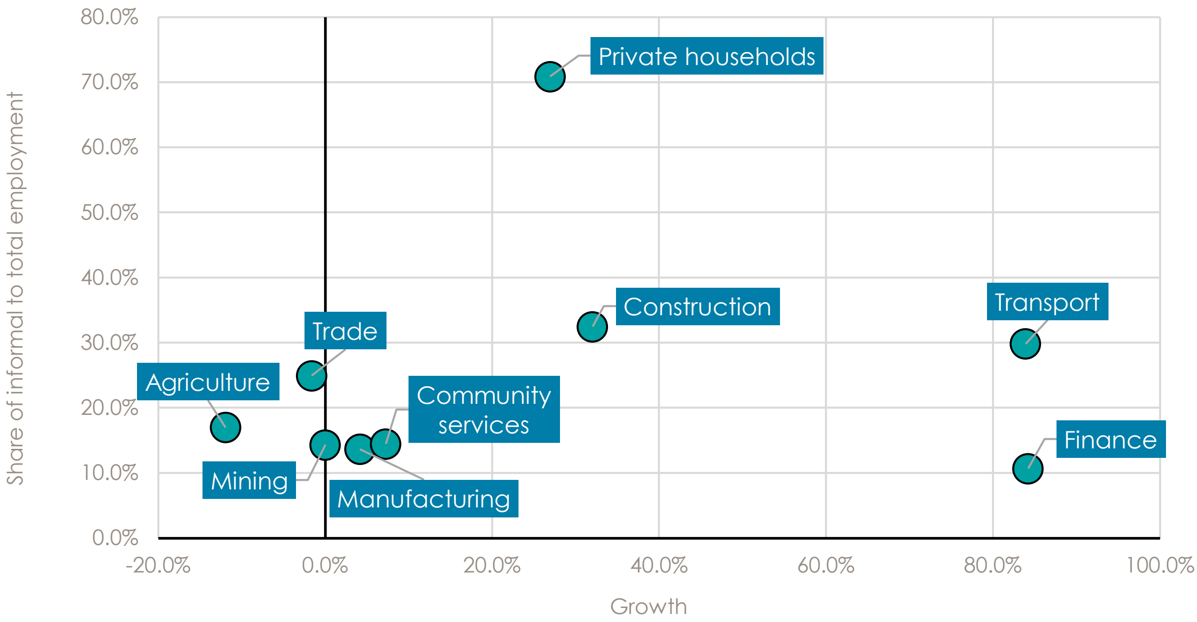
Table 4.6 Change in informal employment per demographic cohort in the Western Cape, 1Q2020 – 1Q2025

	1Q2020		1Q2025		Change	
	Number ('000s)	Share (%)	Number ('000s)	Share (%)	Number ('000s)	(%)
Total employment	**509**	**100**	**608**	**100.0**	**99**	**19.5%**
By Race						
African	237	46.7%	292	48.0%	55	23.1%
Coloured	227	44.5%	269	44.2%	42	18.7%
White	42	8.3%	42	6.9%	0	(1.0%)
By Gender						
Male	269	52.9%	333	54.7%	63	23.5%
Female	239	47.1%	276	45.3%	36	15.1%
By Age						
Youth	197	38.8%	209	34.4%	12	6.0%
Older age	312	61.2%	399	65.6%	88	28.1%
By Education						
Less than Secondary	320	62.9%	322	52.9%	1	0.4%
Secondary	126	24.8%	191	31.4%	65	51.1%
Tertiary	45	8.8%	48	8.0%	4	7.9%

Source: Quantec, Own calculations

The most significant difference between the Western Cape and South Africa lies in the growth of certain cohorts' informal employment. In the Western Cape, the growth of the Tertiary cohort's informal employment was 16.5 percentage points less than South Africa. The Western Cape experienced much higher informal employment growth among the previously disadvantaged, and Secondary, Older age, and Male cohorts than South Africa. This difference is largely explained by the fact that the Western Cape contributed to 41.5 per cent of total national informal employment growth in the period under review. The largest contributor was Gauteng (46.0 per cent), followed by the Western Cape (41.5 per cent), and Limpopo (20.4 per cent) (StatsSA, 2025).

Figure 4.6 Share of Informal to total employment (1Q2025) and informal employment growth (1Q2020 – 1Q2025) in the Western Cape



Source: Quantec, Own calculations

Figure 4.6 reveals impressive informal employment growth in the Transport and Finance sectors in the Western Cape between the 1st quarters of 2020 and 2025; accounting for 42.1 per cent and 22.0 per cent of national growth within these sectors, respectively. Additionally, the Province saw considerable growth in the Private households (26.9 per cent) and Construction sectors (32.0 per cent) over the same period, in stark contrast to the national Private households (-77.9 per cent) and Construction sector (3.8 per cent) trends (StatSA, 2025).

The Informal Economy: Engine of Adjustment and Opportunity

The informal sector in South Africa has expanded rapidly, with employment in the Province rising by 19.6% from early 2020 to early 2025. It now provides one in five jobs provincially and over 30% nationally (Stats SA QLFS, 2025 Q1). Far from being just a safety net, it has become a vital source of household income and a foundation for small-business activity. While formal growth has averaged below 1% over the past decade, informal work and township retail have offered a more dynamic channel of economic activity.

Importantly, township markets have demonstrated their strength as engines of inclusive demand. Lower-income households are driving growth in everyday essentials, which has encouraged both small enterprises and larger retailers to expand affordable offerings and distribution networks into underserved areas. Discount grocery formats and expanded supply chains into spaza shops are examples of this broader trend of meeting community demand where it exists, rather than expecting consumers to adjust to legacy urban mall models.

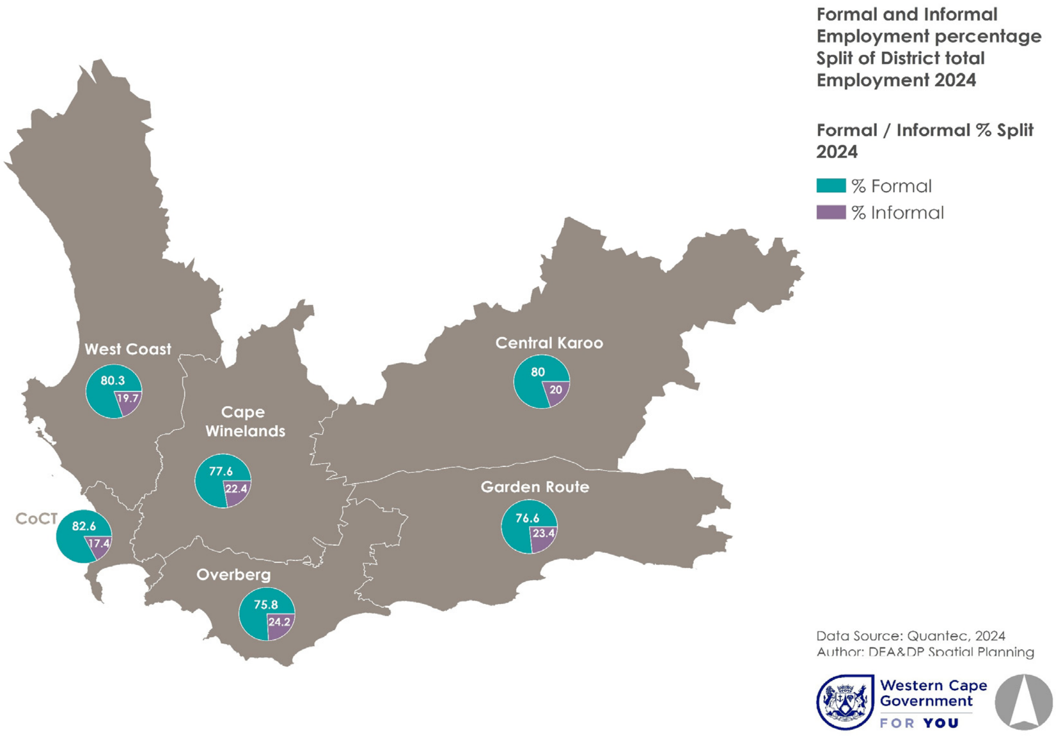
The lesson for policymakers is clear: growth in South Africa is being fuelled by making affordable goods and services accessible to the underserved. Unlocking this momentum requires enabling conditions for informal and small businesses - improved physical and digital infrastructure, simplified municipal licensing, last-mile freight connectivity, and micro-enterprise finance. Recognising the informal sector as a central pillar of resilience and opportunity is essential. Ignoring it risks constraining one of the economy's most dynamic and adaptive engines (Frontier Africa Reports, 2024).

Figure 4.7 captures the 2024 divide between formal and informal employment across Western Cape districts, revealing the Province's robust formal job market, with the Cape Metro standing out at 82.6 per cent formal employment; a sharp departure from the 76.0 per cent informal workforce prevalent in African urban centres (Sow, 2018).

At the other end of the spectrum, the Overberg and Garden Route districts register the highest shares of informality, at 24.2 and 23.4 per cent respectively, followed closely by the Cape Winelands (22.4 per cent).

The variation in informality across Western Cape districts is shaped more by firm-size composition and agglomeration dynamics than by industry type alone. Cape Town's dense cluster of medium-to-large enterprises and stronger regulatory oversight reduces informal employment shares compared to outlying districts, where dispersed micro-enterprises face higher compliance costs and weaker enforcement, increasing informality. Despite this, Cape Town's large population means it has the highest number of informal workers in the Province. Effective policy responses should therefore focus on strengthening institutional support for small firms in peripheral areas while addressing the diversity and scale of informal livelihoods within the city (Charman, Pietersen, & Piper, 2015; Growth Lab at Harvard Kennedy School, 2024; City of Cape Town, 2022).

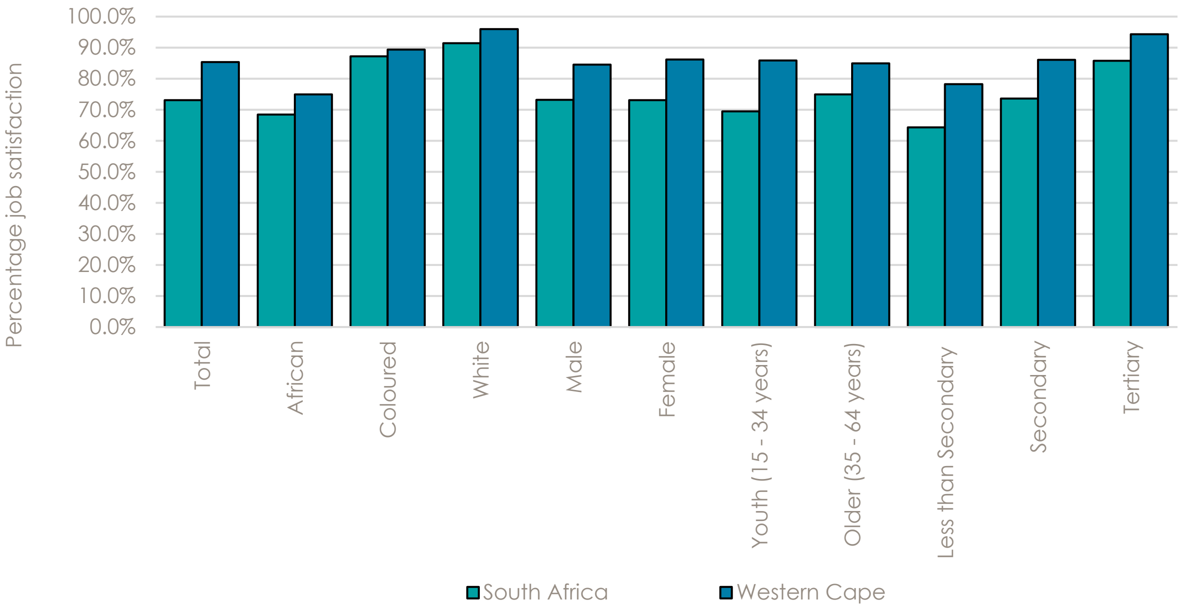
Figure 4.7 Formal/Informal Employee Percentage Split per District, 2024



4.6 Job satisfaction

Job satisfaction captures how employees feel about their work as a whole; payment, tasks, colleagues, supervision and how the job fits their lives (Lungu & Ngubane, 2023). Key factors influencing job satisfaction include compensation, working conditions, work-life balance, respect and recognition, job security, and opportunities for career growth. Research shows that while remuneration matters, non-monetary attributes such as autonomy, fair treatment and supportive teams often weigh as heavily, sometimes more so, when workers assess their jobs (Iwu, Allen-Ile & Ukpere, 2012).

Figure 4.8 Rate of job satisfaction, South Africa and the Western Cape, 2Q2025



Source: Quantec, Own calculations

Job satisfaction statistics from the 2nd quarter of 2025 confirm that Western Cape workers report systematically higher job satisfaction than their national counterparts across every demographic and educational cohort. The Provincial advantage ranges up to 15.9 percentage points for the Youth cohort. Overall, employees in the Western Cape reported a higher overall job satisfaction rate (84.1 per cent) compared to the national average (71.8 per cent).

Unpacking these descriptive statistics, with reference to available literature, it is noteworthy to observe that racial- and gender-based satisfaction gaps remain evident, although the spreads (the difference in reported job satisfaction between demographic groups) are noticeably smaller in the Western Cape, suggesting that local demand conditions and workplace culture in the Western Cape temper historical inequities (Burger & Jafta 2022).

Age differences persist too, nationally, youth (15–34) post the weakest scores (67.5 per cent), yet climb to 83.4 per cent in the Province, hinting at stronger entry-level opportunities and more supportive supervision in the Western Cape (HSRC 2014; Govender 2013). Furthermore, and as expected, satisfaction still rises with education, peaking among tertiary-qualified workers (SA 85.3 per cent, WC 93.2 per cent), yet qualitative studies show that factors such as autonomy, trust and career pathways often outweigh pay in shaping perceptions (Iwu, Allen-Ile & Ukpere 2012).

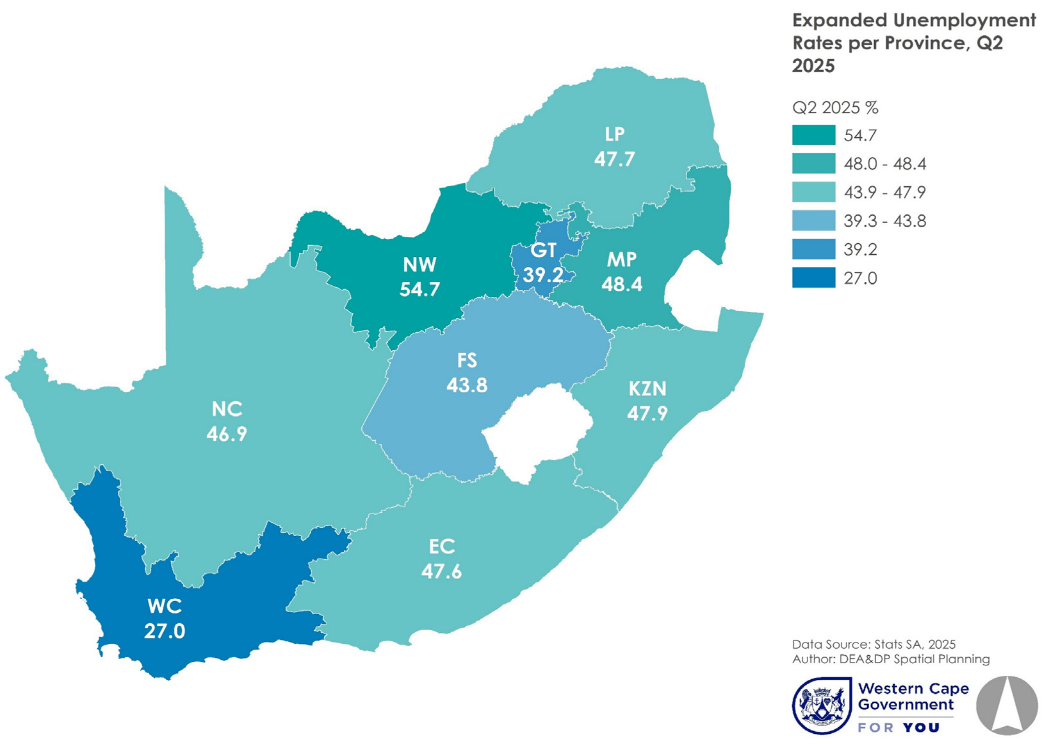
Finally, as these are self-reported attitudes, subject to cultural bias and short-term mood (Lungu & Ngubane 2023), they signal perceived job quality rather than guarantee higher productivity and should be treated with this in mind; however, positive sentiment about one's jobs can itself boost engagement and thus productivity in some cases (Mafini & Dlodlo 2021).

4.7 Unemployment

South Africa's persistently high unemployment, officially above 30 per cent since the pandemic, remains one of the country's most pressing structural challenges (Stats SA, 2024). Empirical studies link this "jobs deficit" to sluggish labour demand, spatial mismatch, and skills gaps, all of which disproportionately exclude young people from decent work (Banerjee et al., 2008; Kingdon & Knight, 2007). High joblessness, in turn, entrenches poverty and income inequality, with longitudinal evidence showing that households headed by the unemployed experience sharply lower social-mobility prospects (Leibbrandt et al., 2010). Consequently, unemployment fuels mistrust and periodic unrest, underscoring its far-reaching economic and social costs (Bhorat & Tarp, 2021).

The crisis appears starker when the expanded unemployment measure, which counts discouraged job-seekers as unemployed, is used. Studies show that high search costs, weak local demand, and repeated job-search failure push many, especially in rural Eastern Cape, Limpopo, and North West, to exit the active labour market altogether (Verick, 2012). The resulting gap between the narrow and expanded rates in these provinces routinely exceeds ten percentage points, signalling a large reserve of under-utilised labour that is invisible in the headline numbers and the provincial differences underscore a spatial inequality in work opportunities.

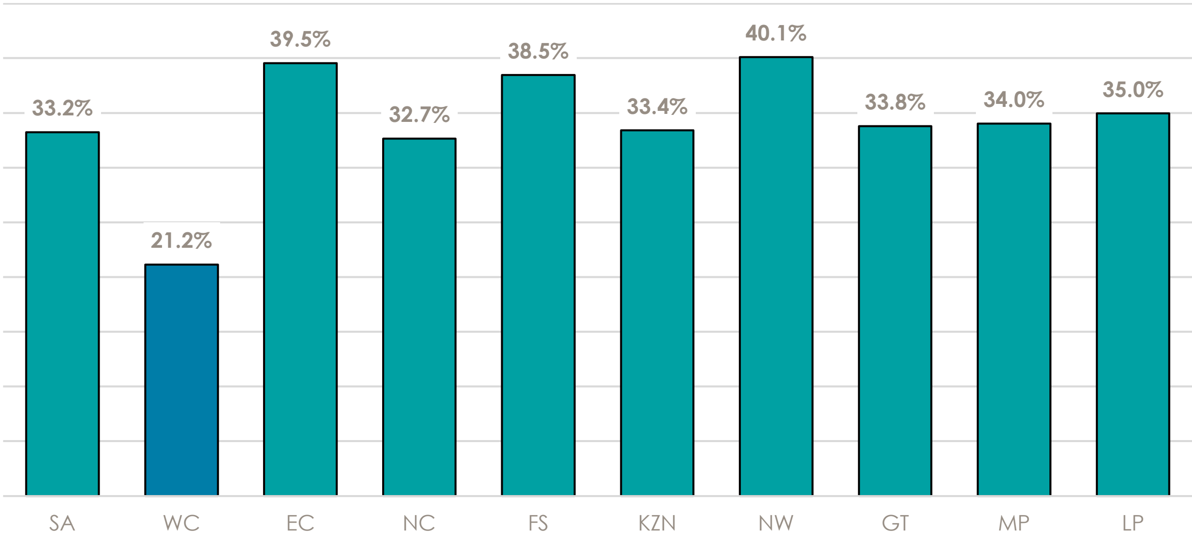
Figure 4.9 Expanded unemployment rates per Province, 2Q2025



The Western Cape's expanded unemployment rate is substantially lower than the rest of the South African provinces. In the 2nd quarter of 2025, the North West province's expanded unemployment rate was the highest at 54.7 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 12.2 percentage points lower at 27.0 per cent.

Spatial inequality and unemployment in South Africa vary significantly across provinces, driven by factors like the existence of former homelands, urbanisation levels, and access to education and jobs. Addressing these disparities is key to promoting balanced economic growth across the country.

Figure 4.10 Provincial Unemployment Rates, 2Q2025



Source: Quantec, Own calculations

Provincial unemployment rates[5] in South Africa vary sharply, underscoring deep-rooted spatial and structural disparities. In the 2nd quarter of 2025, the Western Cape again posted the lowest unemployment rate (21.2 per cent), less than two-thirds of the national unemployment rate (33.2 per cent), while North West (40.1 per cent) and the Eastern Cape provinces (39.5 per cent) recorded the most acute unemployment rates. Empirical work links these provincial gaps to divergent industrial bases, apartheid-era spatial planning, homeland status, infrastructure quality, human-capital stocks, economic diversification, and access to markets (Mudiriza, 2020).

Notably, the Western Cape has a smaller gap between its official and expanded unemployment rates (5.8 percentage points) compared to other provinces, where gaps typically range from 10 to 15 percentage points. This smaller gap indicates lower levels of discouraged work-seekers[6]. Only about 3.3 per cent of the Western Cape's working-age population are discouraged work-seekers, whereas predominantly rural provinces such as the North West and Limpopo have much higher levels of discouragement (13.6 per cent and 11.8 per cent, respectively) (StatsSA, Q2 2025).

However, even compared to Gauteng, a mostly urban province, the Western Cape performs better, with Gauteng's discouraged work-seekers making up 5.2 per cent of its working-age population. The Western Cape's outperformance is partly a function of better job prospects when compared to the rest of South Africa. The Province performed better compared to the rest of the country in employment growth in the Trade, Private households, Finance, Transport and Agriculture sectors between the 1st quarter of 2020 and 2025 (see Figure 4.4).

5 Narrow unemployment rates

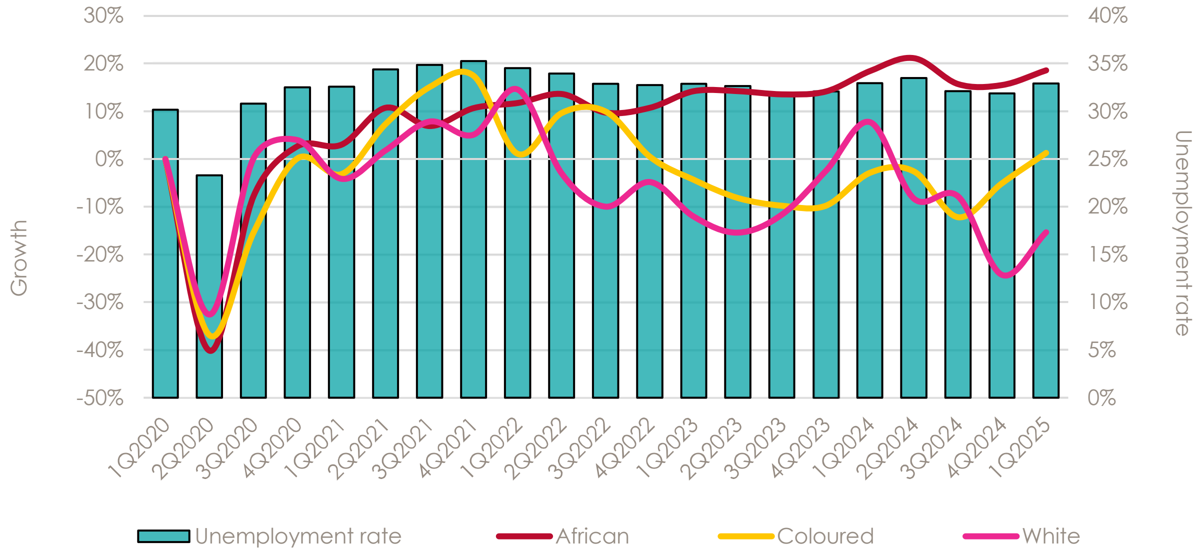
6 **Definition:** A person who was not employed during the reference period, wanted to work, was available to work/start a business but did not take active steps to find work during the last four weeks, provided that the main reason given for not seeking work was any of the following: no jobs available in the area; unable to find work requiring his/her skills; lost hope of finding any kind of work.

Unemployment in South Africa

In a revealing glimpse into South Africa's evolving labour market, Figure 4.11 highlights stark disparities in unemployment trends across racial groups, with the previously disadvantaged groups facing significantly higher joblessness compared to the White cohort.

In the 1st quarter of 2025, South Africa's unemployment rate[7] was 32.9 per cent, or 2.7 percentage points higher than the same quarter five years ago. Between the 1st quarters of 2020 and 2025, unemployment numbers among the previously disadvantaged increased significantly by 17.3 per cent.

Figure 4.11 Growth in unemployment per population cohort and South Africa's unemployment rate, 1Q2020 – 1Q2025

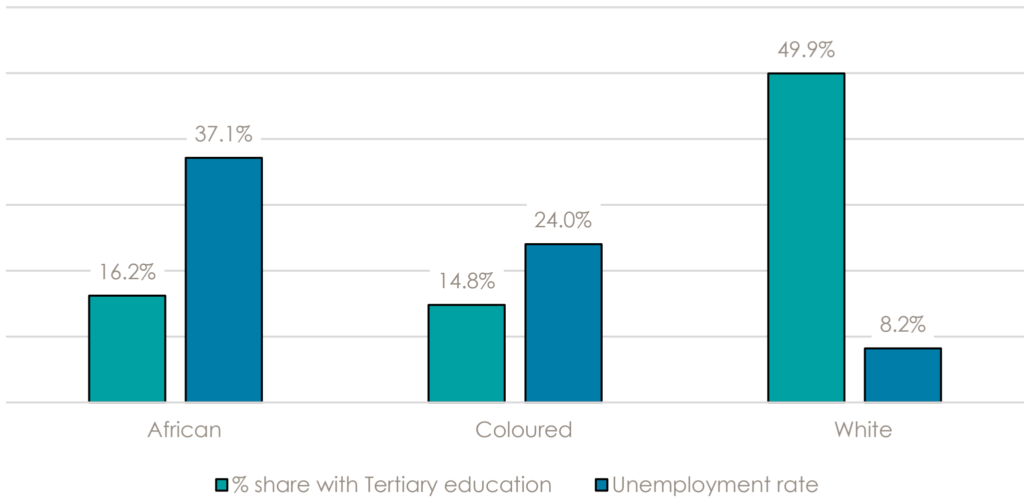


Source: Quantec, Own calculations

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, and the advantage of having a tertiary qualification is clearly evident when analysing Figure 4.12.

7 Official unemployment rate

Figure 4.12 Portion of labour force with Tertiary education and the unemployment rate per population cohort in South Africa, 2Q2025



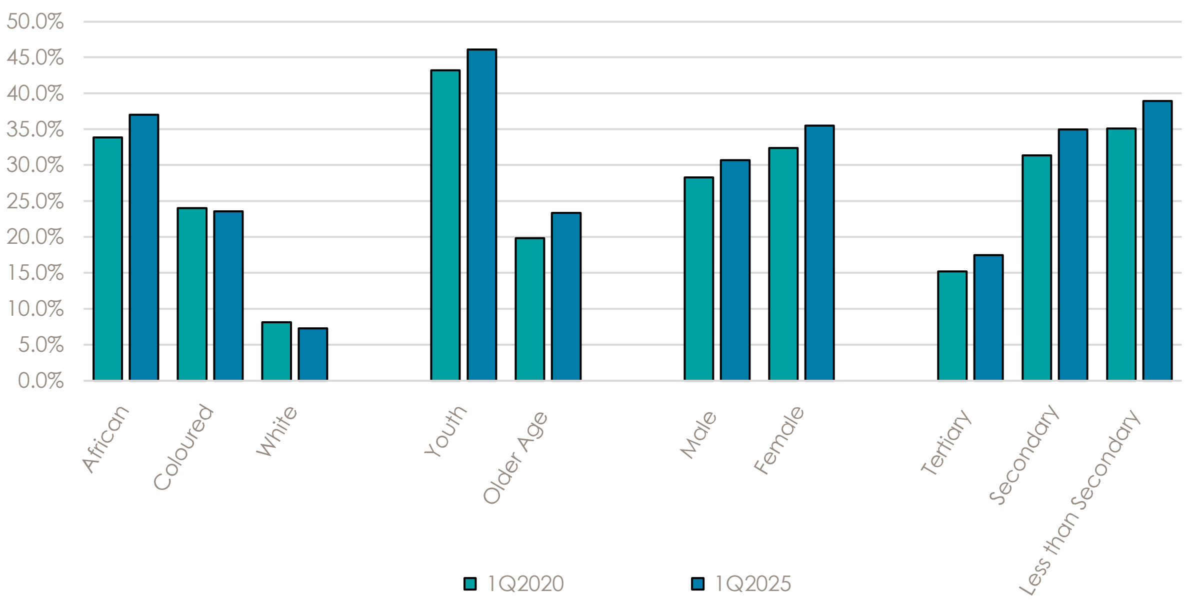
Source: Quantec, Own calculations

The negative correlation between relatively higher educational attainment and lower unemployment rate does not hold within the different race cohorts of the previously disadvantaged group, although the White cohort displays the value in having a tertiary qualification.

The most probable explanation for this anomaly is the Western Cape's unique population composition when compared to the rest of South Africa, while also having the lowest unemployment rate in the country.

The most substantial increases in unemployment rates were among the Less-than-secondary-education (3.8 percentage points), Secondary (3.6 percentage points), and Older age cohorts (3.5 percentage points). However, youth unemployment remains by far the most daunting challenge, climbing by 2.9 percentage points to 46.1 per cent in the 1st quarter of 2025.

Figure 4.13 Unemployment rates per cohort in South Africa, 1Q2020 vs 1Q2025



Source: Quantec, Own calculations

Over the five-year period, unemployment rates increased among all education cohorts (3.2 percentage points on average), a reflection on the general deteriorating employment prospects in South Africa.

Humanoids on the Factory Floor: South Africa at the Edge of an Automation Inflection Point

From 2023 to 2025, AI-enabled humanoid robots have advanced significantly, with Tesla's Optimus Gen-2 and startups like Agility Robotics, Sanctuary AI, and Figure AI demonstrating robots performing tasks such as warehouse work and retail (Musk, 2024). These advancements stem from lower hardware costs, such as LiDAR sensors dropping from $4 100 to $138 (Gartner, 2023), and smarter AI systems that learn tasks without manual programming (Russell & Norvig, 2021).

Cheaper batteries from the electric vehicle boom have reduced robot operating costs to under $20 per hour, nearing human wages, enhancing the business case for automation (International Energy Agency [IEA], 2023). Warehouses are early adopters: by 2024, 46% of firms used warehouse robots, up from 23% in 2022, with over 25% of warehouses projected to be partly automated by 2027 (International Federation of Robotics [IFR], 2024).

In South Africa, Takealot's Johannesburg fulfillment center employs Geek+ robots to double order throughput, while local logistics firms have initiated robot picking trials (BusinessTech, 2023). These robots target low-skill jobs like picking, packing, cleaning, and cashier roles, affecting approximately 750 000 semi-skilled workers (Statistics South Africa [Stats SA], 2024). Studies estimate that 35% of South African jobs, roughly 4.5 million, could be automated (Bhorat et al., 2023; International Labour Organization [ILO], 2023; Le Roux, 2018).

While productivity gains may create new roles, low-wage workers face significant displacement risk (Bhorat et al., 2023). Challenges such as unreliable electricity, high capital costs, and scarce engineering skills may slow adoption in South Africa, though the automation trend persists (World Bank, 2023). This shift could reduce the tax base as fewer low-income workers contribute to income and VAT taxes, while corporate profits rise (International Monetary Fund [IMF], 2024). Instead of "robot taxes," the IMF suggests taxing capital income and bolstering social safety nets (IMF, 2024).

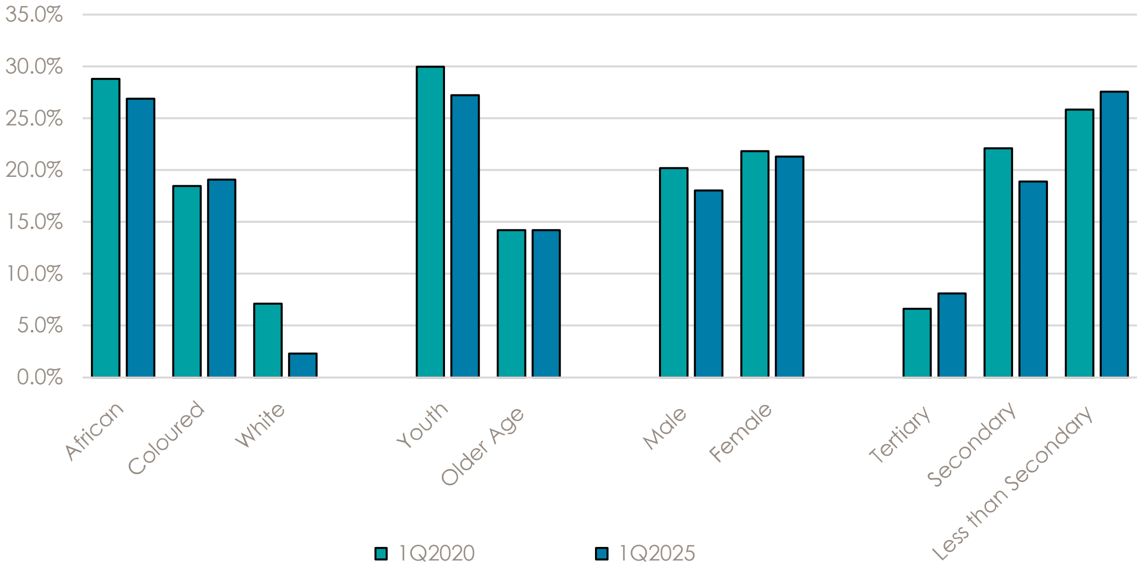
South Africa's Treasury is exploring a digital services levy to capture digital economy value and offset tax erosion (National Treasury, 2025). Policy responses include reskilling vouchers for mechatronics and robot maintenance, tax incentives for firms minimising layoffs, and an "automation dividend" tax to fund social protections (National Treasury, 2025; Wesgro, 2023).

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.

Between the 1st quarters of 2020 and 2025, the unemployment rate for the Western Cape decreased by 1.3 percentage points to 19.6 per cent in the 1st quarter of 2025, therefore lower than the pre-pandemic unemployment rate.

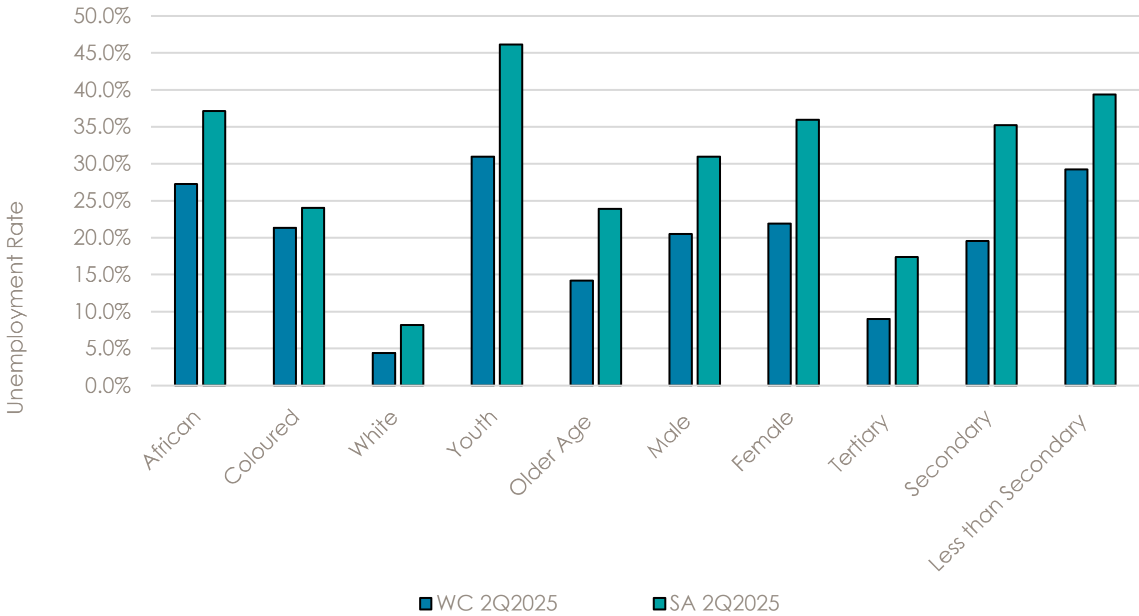
Figure 4.14 Unemployment rates per cohort in the Western Cape, 1Q2020 – 1Q2025



Source: Quantec, Own calculations

In contrast to the trend observed across South Africa, the Western Cape experienced more varied changes in unemployment rates across the major cohorts with the majority of the cohort's unemployment rates decreasing over the last five years. Positive and significant changes occurred with unemployment rates declining among the Secondary education (-3.2 percentage points), Youth (-2.8 percentage points), and Male (-2.2 percentage points) cohorts. Additionally, reflecting the pattern seen in the national economy, unemployment rates were higher for the previously disadvantaged group and the Youth, Female, and Less-than-secondary-education cohorts.

Figure 4.15 Comparison of unemployment rates of the Western Cape and South Africa by cohort, 2Q2025



Source: Quantec, Own calculations

When the unemployment rates of each cohort are compared between the Western Cape and South Africa, the Western Cape had lower unemployment rates among all cohorts in the 2nd quarter of 2025 (7.7 percentage points on average). The unemployment rate among the Youth cohort displayed the largest difference between the Province and South Africa (15.1 percentage points).

Factors that Influence Unemployment Rates

Unemployment rates are influenced by economic growth, technological advancements, government policies, education levels, demographic trends, global conditions, industry shifts, and seasonal variations.

Education is a key factor in improving the prospects of securing a job opportunity, giving residents the skills and know-how needed for the job market. Higher education often leads to more job opportunities, opening doors to specialised roles. Furthermore, education builds critical thinking and adaptability, helping workers tackle changing industries, while also showing employers residents' dedication and ability.

Figure 4.16 illustrates a clear inverse relationship between tertiary education and unemployment rate in the Western Cape: cohorts with a larger share of tertiary-qualified workers consistently record lower unemployment rates.

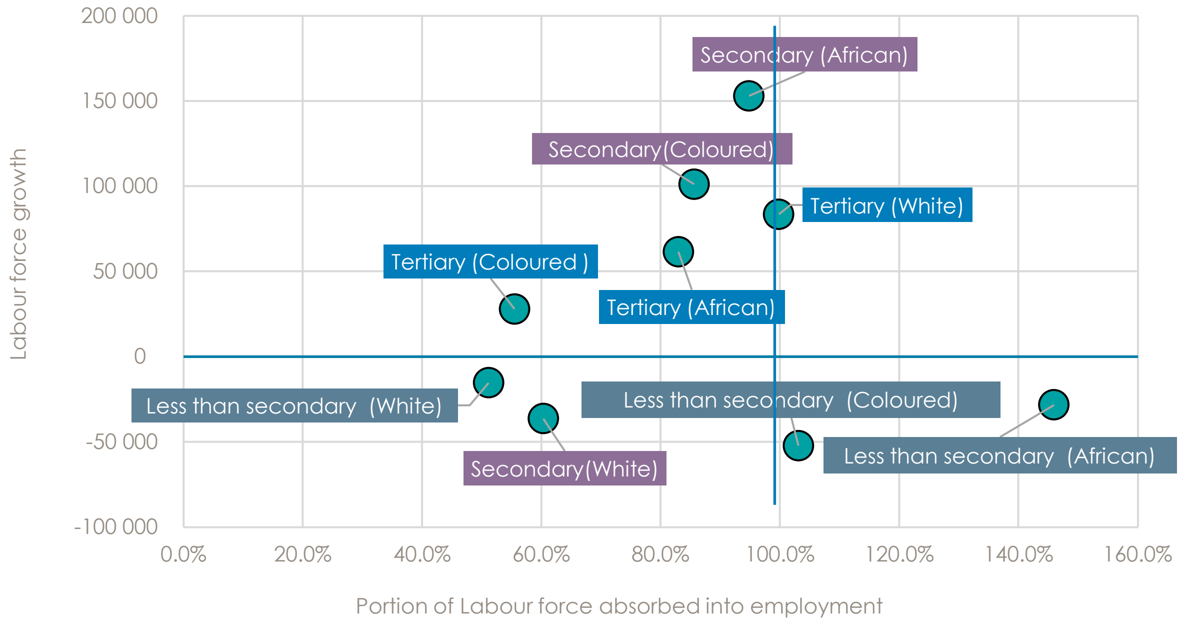
Figure 4.16 Correlation between unemployment rate and portion of labour force with Tertiary qualifications in the Western Cape, 2Q2025

Source: Quantec, Own calculations

In the 2nd quarter of 2025, the Older population cohort had the lowest unemployment rate and the second highest portion of the labour force with tertiary qualifications, while the Youth cohort had the highest unemployment rate and lowest portion of labour force with tertiary qualifications, illustrating the connection between education and unemployment as outlined above.

However, the negative correlation did not hold among different genders, where the Female cohort's unemployment rate was 1.4 percentage points higher than the Male cohort, despite the fact that the labour force of the Female cohort had a higher portion with tertiary qualifications (5.0 percentage points).

Figure 4.17 Correlation between labour force growth and portion of labour force absorbed into employment in the Western Cape by race and education cohorts, 1Q2020 - 1Q2025



Source: Quantec, Own calculations

Even though education levels influence the probability of being employed, the employment probability among population groups with the same education level differ. Between the 1st quarters of 2020 and 2025, several key observations emerge when analysing the relationship between labour force growth and the proportion of additional labour absorbed into employment (employment sensitivity).

Over the period, the labour force of the Less-than-secondary-education cohort declined among all population cohorts. This was mainly a result of a contraction in the working population of this cohort.

The labour force of the previously disadvantaged population cohorts with secondary education increased substantially (289 721 combined), with varying degrees of absorption into employment. A relatively large portion (80.0 per cent of the additional labour force in the previously disadvantaged group was absorbed into employment over the same period. Accordingly, the secondary-educated previously disadvantaged population are the main beneficiaries of the Province's employment growth: 64.3 per cent of all new jobs created in the period under review were attained by this group. In contrast, the labour force of the White population cohort with secondary education declined by 36 317, of which 60.3 per cent of the labour force loss can be ascribed to employment losses.

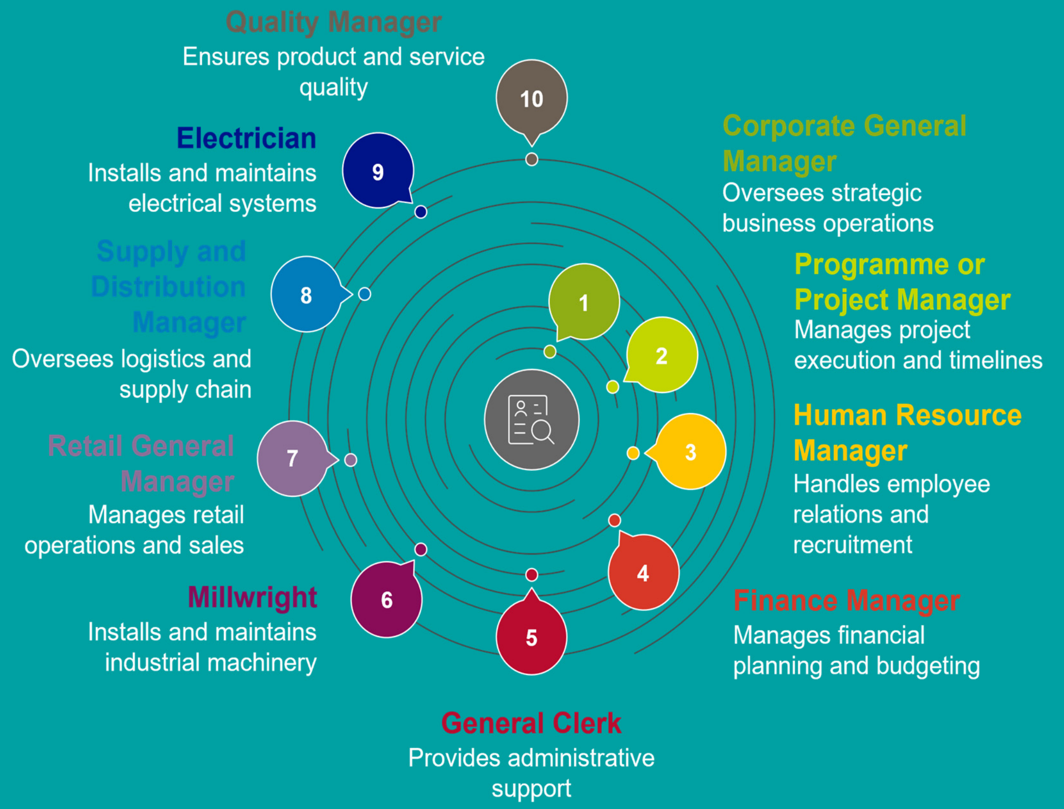
All population cohorts experienced an increase in their tertiary qualified labour force with the White population cohort contributing 46.4 per cent of total growth between the 1st quarters of 2020 and 2025.

The variation in employment absorption across population cohorts with similar education levels may possibly stem from differences in the types of tertiary qualifications held by various groups and the well-researched and persistent skills mismatches between labour market demand and the particular skills and qualifications of the various cohorts, however, different data and more sophisticated econometric approaches would be needed to discern the causes for these dynamics.

Another key anomaly is the fact that the previously disadvantaged group with tertiary qualifications had lower employment elasticities than the same population group with secondary qualifications. There are likely a number of reasons for this, but as pointed out earlier one of the reasons could be because of what (Rogan, Friderichs, and Needham, 2024) found in their research. These scholars found that sustained investment in basic education, Technical and Vocational Education and Training colleges, and short-cycle digital skills programmes are essential to align labour supply with evolving demand. Furthermore, they found that provinces that expanded vocational pathways, such as the Western Cape, record higher employment elasticities for youth and matriculants/the secondary-educated cohort (Rogan, Friderichs, and Needham, 2024).

The Western Cape's Most In-Demand Occupations as of 2024

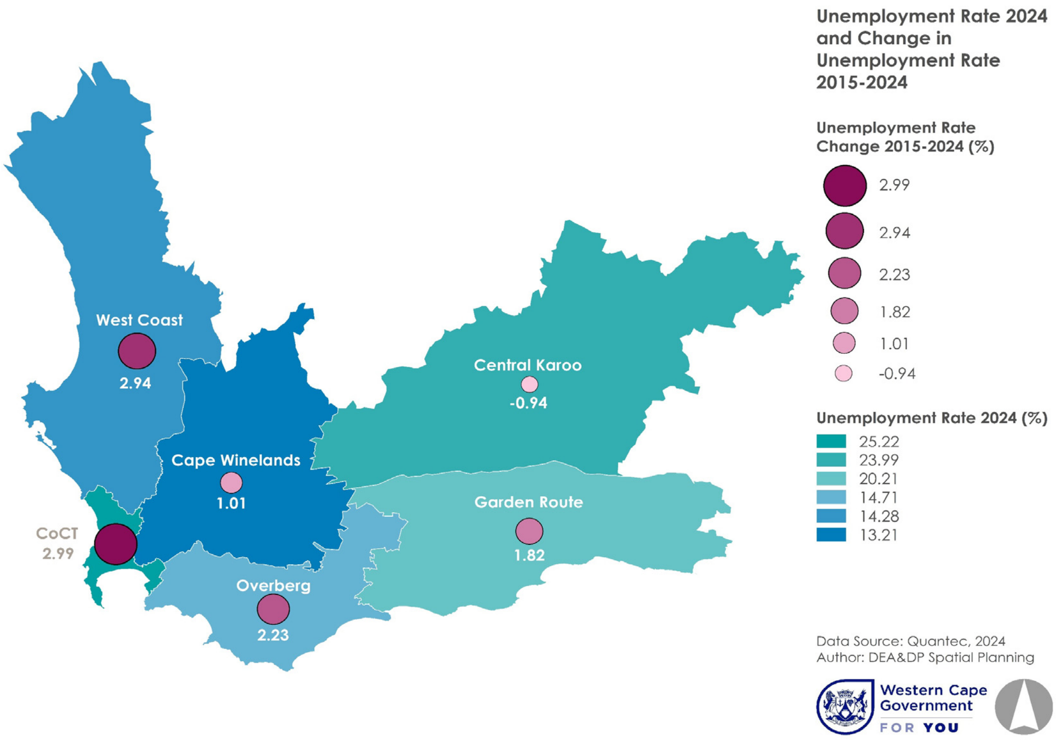
According to a 2024 survey conducted in the Western Cape by the Department of Higher Education and Training (Department of Higher Education and Training, 2024), the top 10 most in demand occupations in the Western Cape in descending order are:



With the dynamics observed in Figure 4.17 and the top 10 most in-demand occupations in the Western Cape in mind, it is important to highlight the role of Small, Medium and Micro Enterprises (SMMEs) in creating employment and offering an avenue for tertiary-educated cohorts not absorbed into formal jobs (entrepreneurship). National evidence shows that new and young firms account for a disproportionate share of net job creation, while large incumbents often shed labour through automation and restructuring (Kerr, 2018). Defining SMMEs as formal businesses that employ up to 250 staff (OECD, 2023) – SMMEs in the Western Cape account for 718 699 of the Full Time Employees (FTE) or 38.5 per cent of the Province's total in 2024 - the highest share nationally, compared to the Free State (32.1 per cent) and Gauteng (31.7 per cent) (SARS SEAD, 2024).

It is therefore evident that Western Cape residents, through the growth and maintenance of SMMEs, contribute to a significant portion of total employment. Furthermore, SMMEs in the Western Cape expanded rapidly by 44.4 per cent between the 1st quarters of 2020 and 2025[8]. Finally, SMMEs are a nimble countermeasure to the well-researched skills mismatch already referenced, as these enterprises regularly absorb and upskill secondary and tertiary educated residents that larger firms may overlook (Basson & Omoruyi, 2025).

Figure 4.18 Unemployment Rate (2024) and change in unemployment rate, 2015 - 2024 in the Western Cape per district



Defying conventional wisdom that links distance from economic hubs to higher unemployment, the Western Cape's rural districts outperform the Cape Metro in joblessness rates, challenging some prior research and underscoring the role of local factors in shaping employment outcomes. This challenges some existing research, such as Klasen and Woolard (2009), which suggests that long distances from economic hubs increase search costs and hinder job prospects even with education considered. Intriguingly, the Western Cape's rural districts defy this trend, exhibiting lower unemployment rates compared to the Cape Metro.

8 Own calculations using QLFS data and SEDA methodology

Rural districts had an average unemployment rate of 17.3 per cent in 2024. This highlights the need to explore additional local factors influencing employment outcomes.

In 2024 the Cape Metro had the highest unemployment rate (25.2 per cent), followed by the Central karoo (24.0 per cent) and Garden Route (20.2 per cent) districts, while the Cape Winelands District had the lowest unemployment rate (13.2 per cent). The higher unemployment rate of the Cape Metro cannot be explained by a higher LFPR. As shown in Figure 4.3, in 2024, the Cape Metro's LFPR was 62.7 per cent, still lower than three of the rural districts. The Overberg District had the highest LFPR (70.8 per cent) while the Central Karoo had the lowest LFPR (53.3 per cent).

From 2015 to 2024, the Cape Metro's unemployment rate increased the most (3.0 percentage points), followed by the West Coast (2.9 percentage points) and Overberg districts (2.2 percentage points).

One possible explanation for this dynamic is that the Cape Metro's GDP growth is less than rural district's growth (as illustrated in Chapter 2). Additionally, the Cape Metro attracts large numbers of internal migrants, often because of the comparatively better public service delivery. Furthermore, possible underreporting of informal employment, persistent poverty, spatial inequality, weak education, and skill mismatches in the Metro's townships likely further increase unemployment rates (Smit, 2023). By contrast, rural districts like the Overberg record lower unemployment rates despite strong labour-force participation, most likely because its relatively faster growing economy and larger exposure to the more labour-intensive Agriculture sector, (see Chapter 2).

This data intimates that migration from rural to urban areas does not necessarily guarantee better employment outcomes. This underscores the need for place-sensitive employment strategies that address disincentives in metros like cost of living, crime, noise and air pollution and congestion; to encourage fixed investment and employment creation.

4.8 Conclusion

From 2020 to early 2025, the Western Cape has solidified its position as South Africa's premier labour market, drawing more people into economic activity than any other province, even amidst sluggish national growth. The Province's job creation has been remarkably strong, driven by robust growth in Finance, Community services, and Private households sectors that showed resilience during the pandemic. Employment gains spanned diverse groups, with female, older, youth, and secondary-educated workers all outpacing national trends. The Province also saw a surge in informal jobs, particularly in transport, finance, construction, and household services, bucking the national decline in informality.

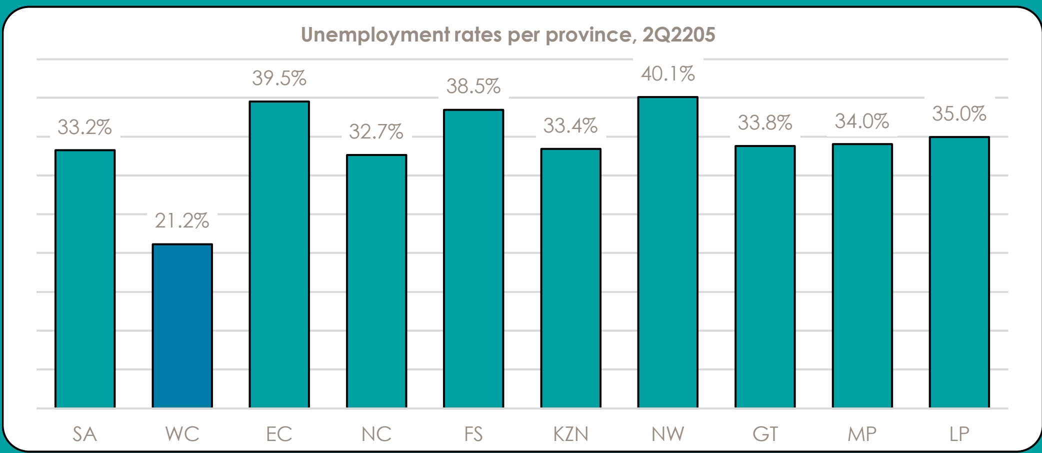
These gains nudged unemployment in the Western Cape to the lowest in the country, with youth and female unemployment easing notably, reflecting a gradual alignment of skills with job opportunities. Yet, sustaining this momentum demands continued sectoral diversity, stronger skills development, and more urban jobs and higher-paying and less seasonal employment for rural workers. Five years on from the start of the COVID-19 Pandemic, the Western Cape stands as a beacon of inclusive economic recovery, leading the charge in rebuilding livelihoods across South Africa.

Annexure A

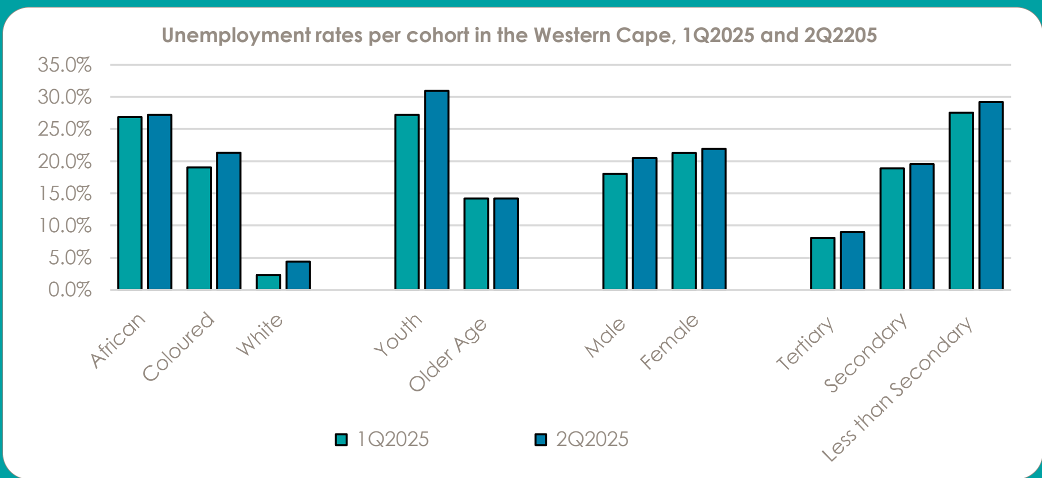
Latest Labour data: 2nd quarter 2025

In the 2nd quarter of 2025, the Western Cape unemployment rate increased by 1.6% points from the previous quarter to 21.2%, while the broader unemployment rate surged by 2.3% points from the previous quarter to 27.0 per cent. In the same quarter, the Province lost 117 000 employment opportunities, a decline of 4.1% from the previous quarter. The bulk of employment losses for the Province occurred in the Finance (39.3%) and Agriculture (36.5%) sector and Construction sectors (18.1%).

However, the Western Cape had the lowest unemployment rate among provinces; 11.5 % points lower than the Northern Cape, the province with the second best unemployment rate, and 18.9% less than the North West, the province with the worst unemployment rate. In the same quarter South Africa's unemployment rate increase by 0.3% points to 33.2%.



Except for the Older age cohort, the unemployment rate increased among all major cohorts compared to the previous quarter. The unemployment rate among the youth increased by 3.4% points, the most for any cohort, to 31.0%. Unemployment among males increased notably by 2.4% points to 20.5%, the second largest increase among the major cohorts.



Among the population groups, the previously disadvantaged population group had the highest unemployment rate (24.2 %), while the White population's unemployment rate almost doubled from the previous quarter to (4.4%).

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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, safety, and for the first time includes social service indicators 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

OVERVIEW

The Western Cape shows resilience and improvement, but mounting pressures threaten sustainability

Education and Learning

Learner-Teacher ratio

2015	1:30.7
2024	1:34.2 ↑
2025	1:36.7 ↑ (Projected)

Dropout rate

19.7%
by Grade 10-11 (2024)

Retention rates

Primary School
80% (2016) ↑ 92% (2024)

High School
67% (2016) ↑ 71% (2024)

Learner Performance

NSC pass rate: 86.6%
(2024, highest ever)

Bachelor's pass rate: 47.8%
(highest nationally)

Health and Wellness

Declining healthcare workforce capacity, and increased strain on the health system

Number of patients serviced by the Department of Health and Wellness:

17.4 Million (2015/16) ↑ 20.5 Million (2024/25)

Health workforce: 2015/16 to 2024/25

DOCTORS	NURSES	OTHER HEALTH WORKERS
41	170.1	207.8

per 100,000 population

The Top leading causes of Death in the WC (2022 – Stats SA)

1. Diabetes
2. Cerebrovascular diseases
3. HIV disease
4. Hypertensive diseases
5. Tuberculosis

Housing and Basic Services

Housing Demand:

Demand

+14.6%
since 2022

643,377 units needed

Basic service delivery:

Refuse removal	Flush toilets	Piped water
88.1% ↑ 95.2%	81.6% ↑ 91.8%	68.6% ↑ 83.5%

2004 vs. 2024

Safety and Violence Prevention

WC accounts for 90% of SA's gang-related murders (2024/25)

LEAP Programme (2021–2025)

on average over 700 officers deployed

Improvements:

Residential burglaries	Drug-related incidents	Driving under the influence
31.4% ↓	11% ↓	24.9% ↓

The Western Cape shows resilience across education, health, housing, safety, and social support, but rising pressures from growth, inequality, crime, and service shortages call for urgent investment and innovation

5.2 Education and Learning

The overarching vision of the Western Cape Education Department is to deliver quality education for every child, in every classroom, and in every school, driving efforts to improve learning outcomes and ensure greater, more equitable access to quality education across the Province. Education is the foundational driver of individual development and socio-economic progress, fostering skills, innovation, and adaptability in an increasingly dynamic world.

Although the Western Cape Province has made significant progress and largely succeeded in improving education outcomes, the sector continues to pursue quality education and is still facing growing pressures from rising learner enrolments and tightening fiscal conditions.

Strategic investment in education is essential, particularly in ensuring access to skilled and adequately supported educators, modernised learning materials, and safe, inclusive school environments. Recent data highlights persistent systemic challenges, such as overcrowding in classrooms and infrastructure backlogs, which continue to constrain learner performance, especially in high-growth urban and peri-urban areas.

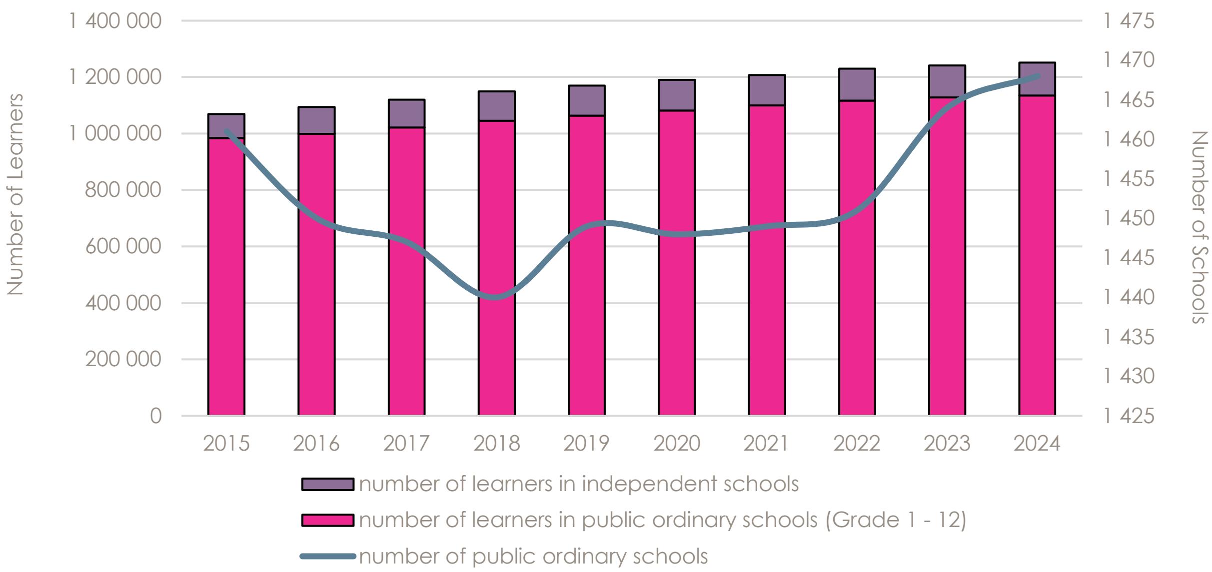
5.2.1 Learner environment

Over the past decade, total enrolment in public ordinary schools (Grades 1 – 12) and in independent schools in the Western Cape has grown substantially by 16.65 per cent, from 1.047 million learners in 2015 to over 1.257 million in 2024, aligned to the rate of population growth as discussed in Chapter 4. Enrolment in independent schools increased by 31.1 per cent, while public ordinary schools recorded a 15.1 per cent increase. The expansion in learners attending independent schools could be related to parental concerns regarding the quality, safety, and resource pressures within the public system, as well as the expansion of more affordable independent schools that cater to rising demand among middle-income households. In contrast, the expansion of public schools' infrastructure has not kept pace with this increased demand, expanding by a mere 0.5 per cent over the same period to 1 468 schools in 2024.

Figure 5.1 and Figure 5.2 illustrate different aspects of this trend. Figure 5.1 shows the absolute growth in both learner enrolment in public ordinary and independent schools, and the number of public ordinary schools, highlighting the widening gap between the rising learner population and the comparatively slow growth in school infrastructure. In contrast, Figure 5.2 focuses on the average number of learners per teacher, demonstrating the pressure on classroom teaching capacity compared to total learner enrolment or number of schools. Together, these figures show that while enrolment continues to rise, infrastructure and teaching resources are not expanding at a comparable pace, leading to higher learner-teacher ratios and increased pressure on educators.

In response, the WCED has introduced targeted interventions, most notably the Rapid School Build programme launched in late 2022. This initiative accelerates the delivery of modular, scalable, and community-responsive learning environments, providing relief to high-demand areas while creating adaptable infrastructure for future growth. As a result, 17 new schools have been completed over the past two years. At the same time, the WCED is expanding blended and hybrid learning models, particularly in higher grades, to ease physical classroom demand while enhancing digital literacy. Together, these strategies aim to address overcrowding and build a more adaptive and resilient education system for the Province.

Figure 5.1 Number of Schools & Learners in the Western Cape, 2015 – 2024



Source: Western Cape Education Department

Unveiling South Africa's Learning Crisis: Urgent Reforms for an Inclusive Future

South Africa's education system is facing a profound learning crisis that undermines the country's economic potential, despite substantial public investment averaging 6% of GDP (World Bank, 2025). Alarmingly, around 80% of Grade 4 learners lacked basic reading comprehension skills in 2021, a challenge exacerbated by pandemic-related school closures (World Bank & Western Cape Education Department, 2024). Furthermore, fiscal constraints are shrinking education budgets, straining the system's capacity to accommodate an anticipated 1.2 million additional learners by 2030 while grappling with persistent issues of poor teaching quality and weak accountability mechanisms (World Bank, 2025). In the Western Cape, which outperforms national averages, over half of fourth-graders were functionally illiterate in 2016, with further declines post-COVID and planned teacher reductions threatening progress (World Bank & Western Cape Education Department, 2024).

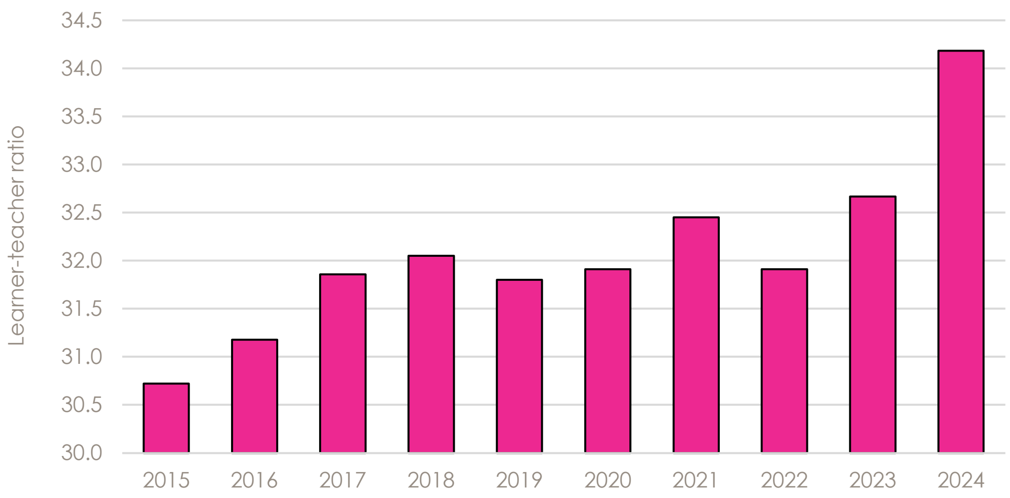
Enhancing education quality is essential for fostering inclusive economic growth and reducing South Africa's deep inequalities. Without urgent reforms, economic growth is projected to remain sluggish at 1.8% in 2025, delaying high-income status by decades (World Bank, 2025). Targeted interventions could unlock human capital, boosting productivity and social mobility. Recommended reforms include scaling up early-grade reading programmes with structured pedagogy and expanding access to early childhood development, where only one-third of young children are enrolled (World Bank, 2025). Additionally, strengthening teacher training, leveraging public-private partnerships, and utilising digital tools can address inefficiencies. Furthermore, revising funding norms and reviving performance assessments for struggling schools are critical to ensuring equitable outcomes, particularly in underserved regions (World Bank, 2025; World Bank & Western Cape Education Department, 2024). These measures align with national priorities to harness education as a catalyst for sustainable development.

Source: World Bank, Western Cape Education Department

5.2.2 Learner-teacher ratio

Despite notable progress by the WCED in building new schools since 2022, the learner-teacher ratio has deteriorated from 30.7 in 2015 to 34.2 in 2024. This increase is due to population growth and the historically slow pace of school infrastructure delivery (which the Rapid School Build programme seeks to accelerate), which is driven by the constrained fiscal and economic conditions. This trend is expected to continue, with the learner-teacher ratio projected to rise further to 36.7 in 2025.

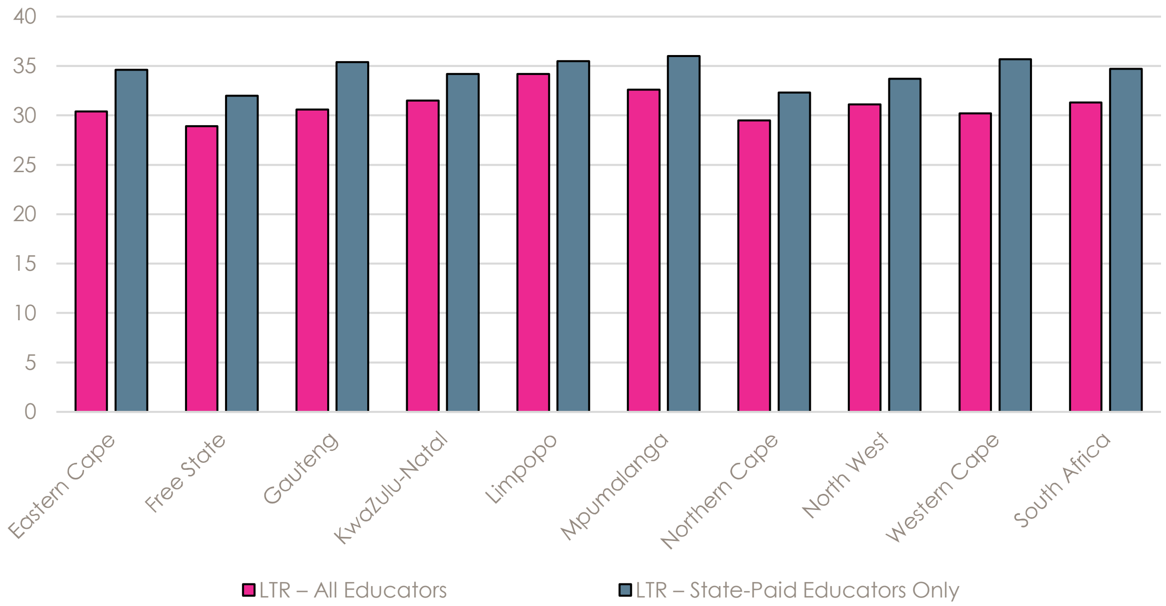
Figure 5.2 Learner-Teacher Ratio in the Western Cape, 2015 - 2024



Source: Western Cape Education Department

Provincial comparisons show that the Western Cape's learner-teacher ratio for all educators (30.2) is below the national average of 31.3, reflecting relatively smaller class sizes overall. However, when considering state-paid educators only, the Western Cape's ratio rises to 35.7, which exceeds the national average of 34.7. Provinces such as Mpumalanga, Limpopo, and Gauteng exhibit higher ratios among state-paid educators (36.0, 35.5, and 35.4, respectively), while provinces like the Free State and Northern Cape maintain lower ratios. These differences reflect variations in staffing models, educator distribution, and reliance on contract or School Governing Body-funded educators. Such disparities underscore the need for targeted teacher allocation and investment strategies to manage class sizes effectively across different regions.

Figure 5.3 Learner-Teacher Ratio by province, 2024



Source Department of Basic Education

Education unlocks a child's dreams, opening doors to endless possibilities. Staying in school builds knowledge, resilience, and confidence, empowering young minds to break free from poverty and shape vibrant futures. Every classroom moment fuels ambition, fostering skills to transform lives and communities, making education the heartbeat of progress.

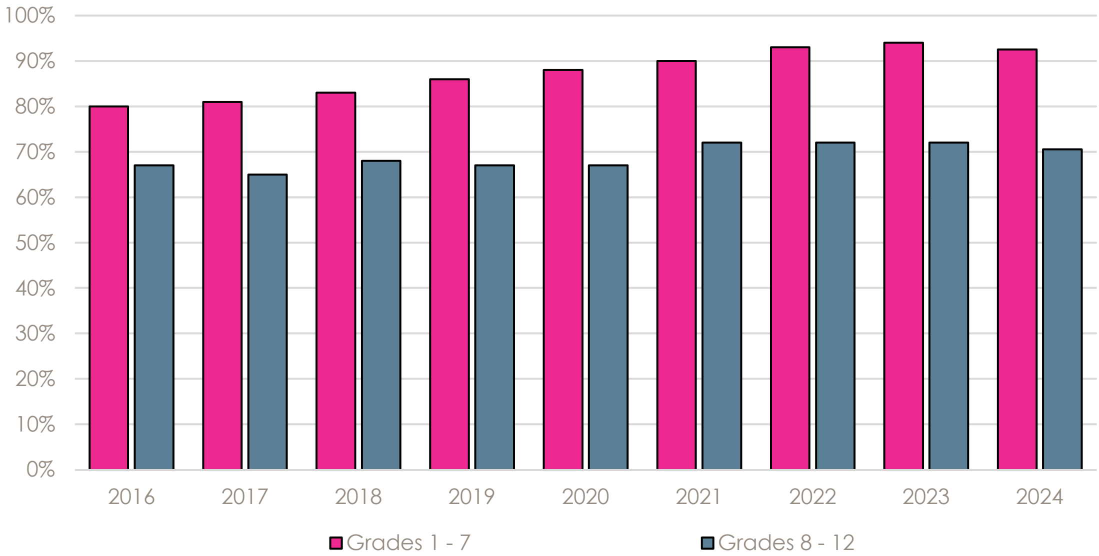
5.2.3 School retention rate and Learner performance

Between 2016 to 2024, the Western Cape has demonstrated significant improvements in school retention rates. Primary school retention improved from 80 per cent in 2016 [1] to 92.0 per cent in 2024 [2], while high school retention rose from 67.0 per cent in 2016 to 71.0 per cent in 2024. Notably, the Province achieved the highest Grade 10 to 12 retention rate nationally at 71.3 per cent (2022 - 2024).

1 Reference year, 2016: Refers to the period 2010-2016 for Primary schools and the period 2012-2016 for high schools

2 Reference year 2024: Refers to the period 2018-2024 for Primary schools, and the period 2020-2024 for high schools

Figure 5.4 Retention Rate in Primary & High School in the Western Cape, 2016 - 2024



Source: Western Cape Education Department

These gains reflect targeted interventions by WCED, such as the "Back on Track" (BOT) programme, which focuses on addressing learning gaps and supporting at-risk learners. Despite these advancements, challenges persist, particularly in Grades 10 and 11 where dropout rates remain concerning (19.7 per cent drop out from Grade 10 to 11 in 2024). Early school leaving is influenced by academic challenges, economic limitations, and social pressures (Ferguson et al., 2007; Sapp, 2009; Stylianou & Milidis, 2024).

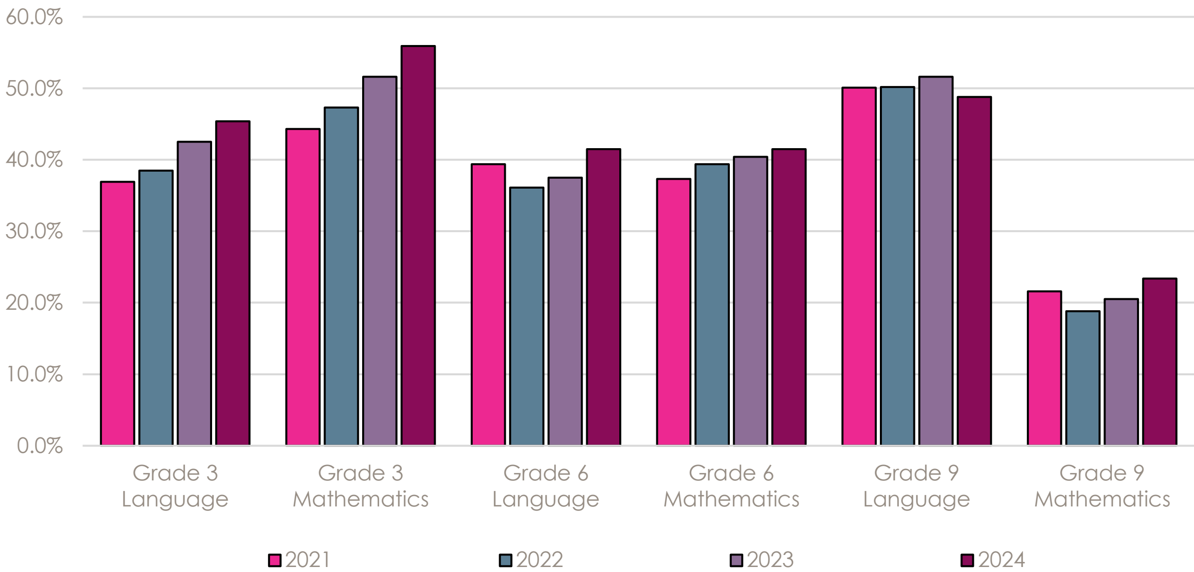
Systemic testing of proficiency levels in Mathematics and Language is a vital tool for transforming education, empowering teachers to pinpoint strengths and address gaps in learning. By assessing literacy and numeracy, these tests shape targeted interventions, ensuring every child builds a strong foundation for academic success and lifelong achievement.

Between 2021 and 2024, learner performance in the Western Cape's systemic tests showed a measurable improvement from the learning losses experienced during the COVID-19 pandemic, particularly in the Foundation and Intermediate Phases. In Grade 3 Mathematics, the pass rate increased by 11.6 percentage points, from 44.3 per cent in 2021 to 55.9 per cent in 2024, approaching pre-pandemic levels (58.1 per cent in 2019). Similarly, Grade 3 Language scores improved by 8.5 percentage points over the same period to 45.4 per cent in 2024, marginally surpassing the 2019 benchmark of 42.8 per cent.

Grade 6 learners demonstrated notable progress, with Mathematics scores increasing by 4.2 percentage points to 41.5 per cent, while Language improved by 2.1 percentage points over the same period, building positive momentum toward pre-pandemic performance levels.

At the senior phase level, however, outcomes are mixed. While, Grade 9 Mathematics performance improved marginally by 1.8 percentage point to 23.4 per cent in 2024, Grade 9 Language scores declined by 1.3 percentage points to 48.8 per cent in 2024.

Figure 5.5 Systemic Test Results in the Western Cape, 2021 - 2024

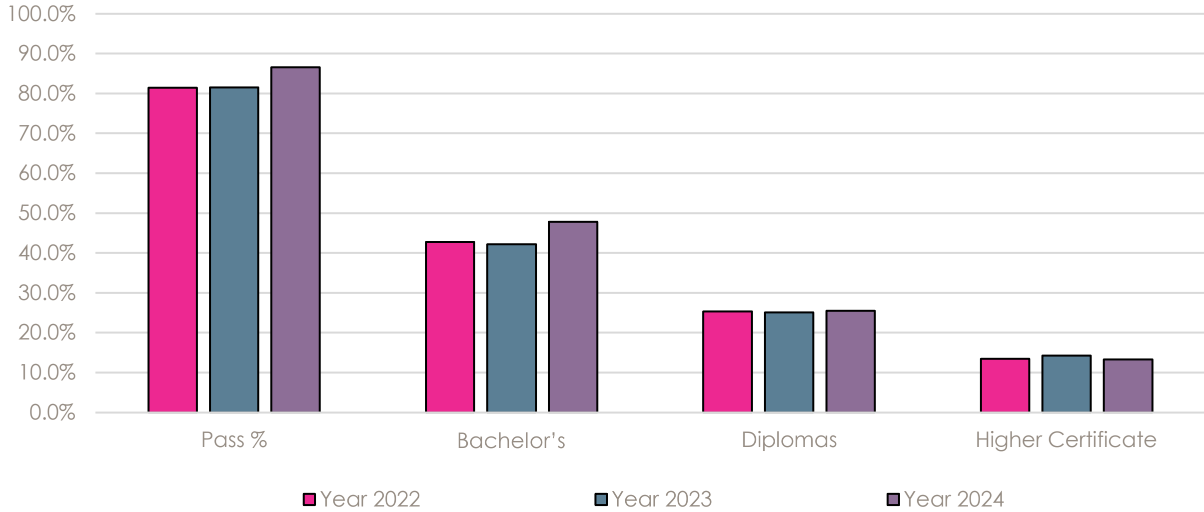


Source: Western Cape Education Department

These results underscore the WCED's progress in implementing targeted learning recovery strategies (such as the BOT Programme) in the early grades, including increased contact time and curriculum adjustments. However, the decline in the senior phase performance highlights the need to refine or redesign interventions to address persistent learning deficits, especially in Language, and to sustain improvements across all grades.

The Western Cape's Class of 2024 achieved a historic milestone in the National Senior Certificate examinations, recording the Province's highest pass rate to date at 86.6 per cent, an increase of 5.1 percentage points from the previous year. This improvement reflects a sustained upward trajectory in learner performance, supported by targeted interventions and strengthened teaching and learning strategies across the system. The Western Cape achieved the highest Bachelors pass rate nationally for candidates from Special Needs Education schools, with 63.3 per cent. These outcomes reflect the WCED's continued commitment to enhancing educational quality, equity, and post-school readiness for all learners.

Figure 5.6 NSC, Diploma and B Degree Pass Rates in the Western Cape, 2022 - 2024

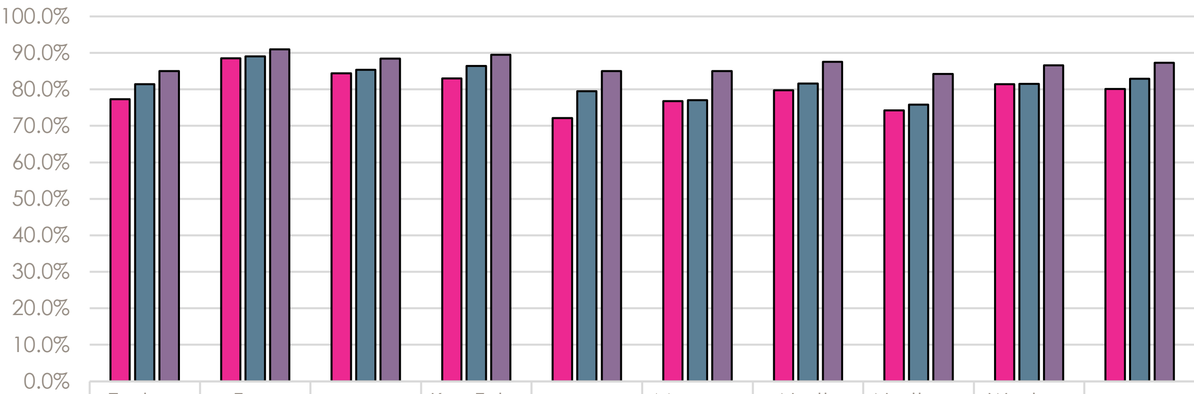


Source: Western Cape Education Department

In 2024, the Western Cape ranked fifth nationally behind the Free State, KwaZulu-Natal, Gauteng, and the North West, while maintaining its position as the leading province in critical subject areas, achieving the highest national pass rates in Mathematics (78.0 per cent) and Physical Sciences (79.4 per cent).

An analysis of the NSC results between 2022 and 2024 (Figure 5.7) highlights both progress and disparities across provinces. In 2024, the Western Cape's NSC pass rate of 86.6 per cent was slightly below the national average of 87.3 per cent but shows credible improvement from 81.4 per cent in 2022 amid considerable financial, social and environmental challenges.

Figure 5.7 National Senior Certificate Results by Province (2022 - 2024)



	Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Limpopo	Mpuma-langa	North West	Northern Cape	Western Cape	National
2022	77.3%	88.5%	84.4%	83.0%	72.1%	76.8%	79.8%	74.2%	81.4%	80.1%
2023	81.4%	89.0%	85.4%	86.4%	79.5%	77.0%	81.6%	75.8%	81.5%	82.9%
2024	85.0%	91.0%	88.4%	89.5%	85.0%	85.0%	87.5%	84.2%	86.6%	87.3%

2022 2023 2024

Source: Department: Basic Education

Provinces such as Gauteng, KwaZulu-Natal, and Free State outperformed both the national and Western Cape averages, while Limpopo, Eastern Cape, and Northern Cape demonstrated varied performance trends.

While the Western Cape continues to demonstrate progress in improving access, retention, and learner outcomes, the education system remains under considerable strain from rising enrolments, infrastructure backlogs, and fiscal constraints. Improving education outcomes requires a coordinated and evidence-led approach that strengthens foundational literacy and numeracy, expands psychosocial support, and strengthens school leadership and accountability structures, which is being addressed through the Back on Track programme and the Rapid School Build programme. These measures, combined with continued investment in foundational literacy and numeracy, systemic testing, and targeted learner support, will help safeguard the gains already achieved and build a more resilient, inclusive, and future-ready education system for the Province.

Equipping learners to be AI proficient in the 4IR world

The rapid integration of artificial intelligence (AI) across industries is reshaping the educational landscape, compelling systems like the Western Cape's to prepare learners for a digital and automated future. With up to 18% of work tasks potentially automatable, particularly in service and knowledge sectors, the need to foster "AI-resilient" skills, those that complement rather than compete with AI - is critical.

The Western Cape's 2024 educational achievements, including an 86.6% NSC pass rate and a 72% retention rate from Grade 10 to 12. By prioritising transversal skills such as complex problem-solving, critical thinking, creativity, adaptability, and socio-emotional intelligence, the education system can equip learners for evolving labour markets. Innovative pedagogy, like project-based language learning, fosters cognitive flexibility and cultural awareness, enhancing foundational literacies crucial for digital fluency.

Interdisciplinary projects and ethical reasoning further nurture human capabilities that AI cannot replicate. Robust teacher training is essential to guide students through this shift, cultivating curiosity and resilience. Aligning education with future job demands, as evidenced by the 47.8% bachelor's pass rate and 78% Mathematics pass rate, ensures better employment prospects, reduces inequality, and drives inclusive growth, positioning the Western Cape as a hub for innovation and human development.

While the foundations for AI-resilient skills can be built during the school years, a learner's ability to develop these skills depends on multiple factors, such as motivation and a supportive environment beyond the classroom. This highlights the need for a holistic approach to a learner's development when designing and reforming curricula to prepare learners for the future.

Source: Western Cape Education Department, World Economic Forum

5.3 Health and wellness

The NDP 2030 envisages a health system that works for everyone and produces positive health outcomes. Although South Africa has one of the most developed healthcare systems in Africa, South Africa faces several challenges, including high levels of disease burden, a shortage of healthcare professionals, and infrastructural constraints.

The Western Cape, home to a dynamic and diverse population, continues to grapple with complex health and wellness challenges, which are amplified by persistent fiscal constraints and widening socio-economic disparities. In this context, delivering responsive, high-quality health and wellness services is non-negotiable and remains a constitutional imperative and a cornerstone of inclusive, sustainable development.

5.3.1 Health Workforce

In the Western Cape, the expertise, compassion, and dedication of all health workers, particularly doctors and nurses, form the backbone of the health system, playing a critical role in delivering quality care and improving patient outcomes. However, ongoing shortages and uneven distribution of these essential healthcare professionals, particularly in rural and historically underserved communities, continue to strain service delivery.

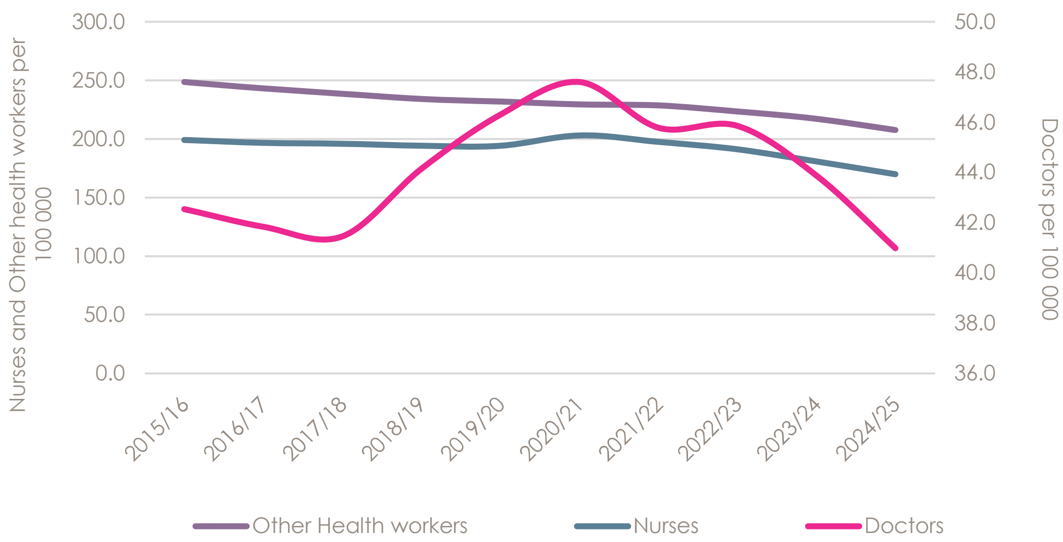
Driven by rapid population growth, the Western Cape experienced a decline in the number of doctors and nurses per 100 000 people over the past decade. The ratio of doctors per 100 000 people dropped from 42.6 in 2015/16 to just 41.0 in 2024/25, the lowest figure in the last decade.

Similarly, the nurse-to-population ratio has steadily declined from 199.3 in 2015/16 to 170.1 in 2024/25, with a sharp drop of over 13 per cent in the past three years alone, coinciding with the COVID-19 pandemic. The nurse-to-population ratio in South Africa is projected to decline further due to an ageing workforce with high retirement rates; significant emigration driven by better opportunities abroad; constraints in training and absorbing new graduates; fiscal limitations reducing funding for new posts; workforce burnout from poor working conditions; and increasing demand from population growth and disease burden (Buchan & Aiken, 2008; Labonté et al., 2015; Matlala et al., 2021; National Department of Health, 2024; Pienaar, 2023).

For 'other health workers', which consists of i.e. allied and community-based professionals, dentists, pharmacists, paramedics, social workers, engineers, admin staff, etc., Figure 5.8 show that "other health workers" have experienced a steady decline since 2015/16 to 2024/25, decreasing from 248.7 in 2015/16 to 207.8 per 100 000 population in 2024/25.

Overall, between 2022/23 and 2024/25, the Western Cape experienced a 5.25 per cent decline in the health workforce density, dropping from 442.0 to 418.8 health workers per 100 000 population. While all categories showed reductions, the steepest decline was seen among other health workers (−7.11 per cent), followed by doctors (−6.6 per cent) and nurses (−5.97 per cent). This downward trend means there are fewer healthcare professionals relative to the population, placing additional strain on already stretched services as demand continues to rise.

Figure 5.8 Number of Public Employed Doctors, Nurses and Other Health Workers per 100 000 Population in the Western Cape, 2015/16 - 2024/25



Source: Western Cape Department of Health and Wellness

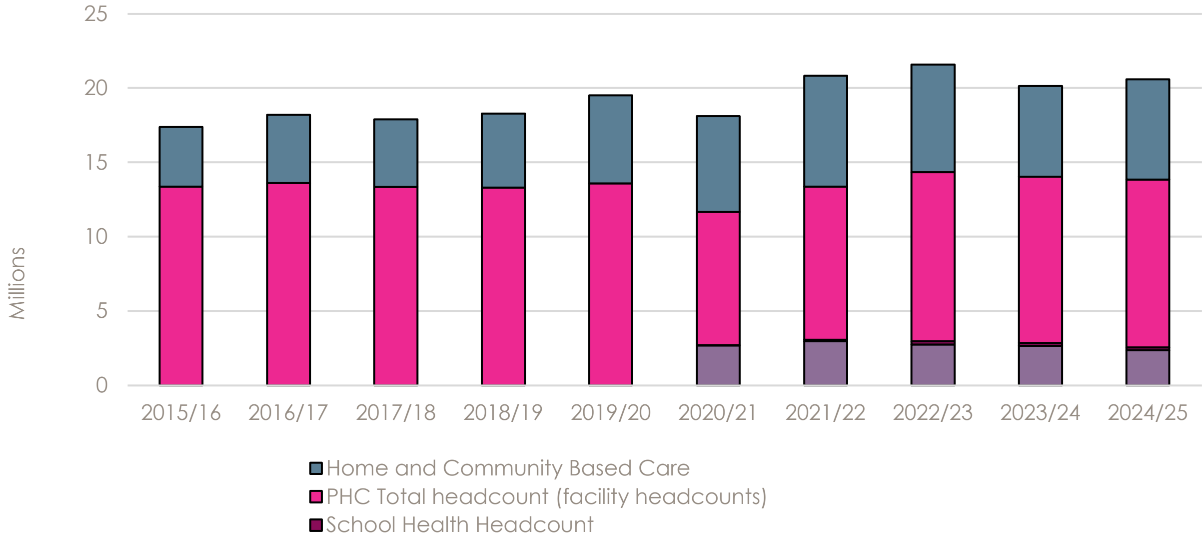
If this trend continues, the Western Cape may face a critical shortage of skilled health professionals within 5 to 10 years, with severe consequences for the public health system (noting that at least 74.3 per cent of people access public healthcare in the Province, according to the 2023 General Household Survey, Statistics South Africa). The continued decline in the health workforce density in the Western Cape poses a serious risk to the sustainability and quality of public healthcare, with longer waiting times, overburdened staff, and poorer health outcomes likely to follow. To address this growing challenge, it is essential to recruit, train, and retain health professionals; incentivise rural placements; expand telemedicine; implement workforce planning and succession strategies; and increase funding for health posts.

5.3.2 Service Delivery

In the Western Cape, the Central Dispensing Unit has transformed healthcare delivery despite constrained resources, revolutionising access and efficiency. By streamlining medicine distribution through automation and smart logistics, this innovative system ensures prompt, accurate prescriptions for underserved communities. It empowers healthcare workers, reduces inequalities, and delivers equitable, patient-focused care, reshaping the heart of compassionate healthcare under tight constraints.

Spurred on by rapid population growth, the number of patients serviced by the Department of Health and Wellness (DHW) has steadily increased from 17.4 million in 2015/16 to 20.5 million in 2024/25. While total service volumes of patient services increased, the composition of service delivery platforms has shifted significantly, reflecting changes in population needs, and systemic pressures. Facility-based primary healthcare (PHC) services still make up the bulk of patient interactions at 54.8 per cent in 2024. However, over the same period, the number of public healthcare patients declined by 2.073 million (15.5 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, 2015/16 – 2024/25



Source: Western Cape Department of Health and Wellness

The decline in the number of patients serviced through PHC is mainly attributed to the rollout of Home and community-based services in 2015/16 and Central Dispensing Units for the delivery of chronic medication in 2020/21. In 2024/25, Home and Community-based services (32.8 per cent) and Central Dispensing Units (11.5 per cent) made up a substantial portion of healthcare service delivery by the DHW. While reducing pressure in facilities through innovative models is progressive, the current Provincial Equitable Share (PES) methodology overlooks innovative models of care, thus placing pressure on provincial budgets and impacting service delivery. This creates a mismatch between actual service delivery and funding, leading to under-resourced facilities, constrained staffing, and limited capacity to maintain and expand innovative solutions. Over time, this can compromise the quality and accessibility of healthcare, particularly in high-demand areas, ultimately undermining efforts to strengthen the health system.

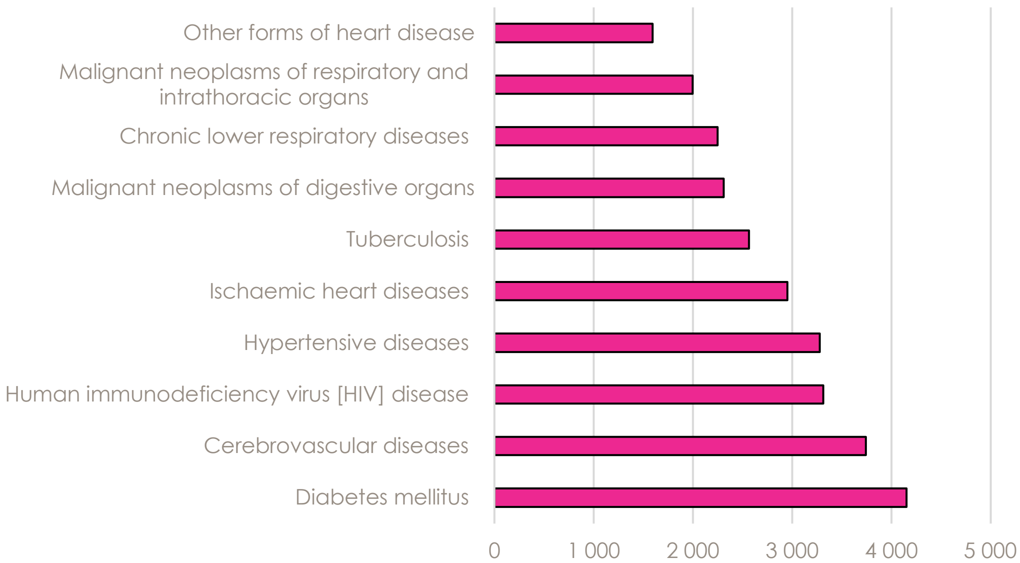
5.3.3 Causes of Mortality

Tracking causes of death is vital for effective healthcare policy. By identifying prevalent diseases and mortality trends, policymakers can prioritise resource allocation, target interventions, and address health disparities. This data-driven approach informs preventive strategies, enhances public health planning, and ensures equitable, responsive healthcare, ultimately saving lives and fostering a healthier society.

The leading causes of mortality in the Western Cape reflect a dual burden of disease, with non-communicable diseases (NCDs) and infectious diseases placing significant pressure on the provincial health system. In 2022, the top 10 causes of death accounted for 50.5 per cent of total mortality, of which the top 5 causes of death relate to non-communicable diseases, also known as lifestyle / preventable diseases. Diabetes mellitus emerged as the leading cause of death, accounting for 7.5 per cent, followed by Cerebrovascular diseases (6.7 per cent), Hypertensive diseases (5.9 per cent), and Ischaemic heart diseases (5.3 per cent) of total mortality.

Infectious diseases remain a serious concern, with HIV (5.9 per cent) and tuberculosis (TB) (4.6 per cent) featuring prominently within the top 10 causes of death, underscoring the dual burden of infectious disease the Province faces, where chronic lifestyle-related conditions and infectious diseases coexist.

Figure 5.10 Top Ten Leading Natural Causes of Death in the Western Cape, 2022



Source: *Western Cape Department of Health and Wellness; Stats SA, Mortality and causes of death in South Africa, 2022*

Note 1: Data is limited to 2022, this is the last update by Statistics South Africa

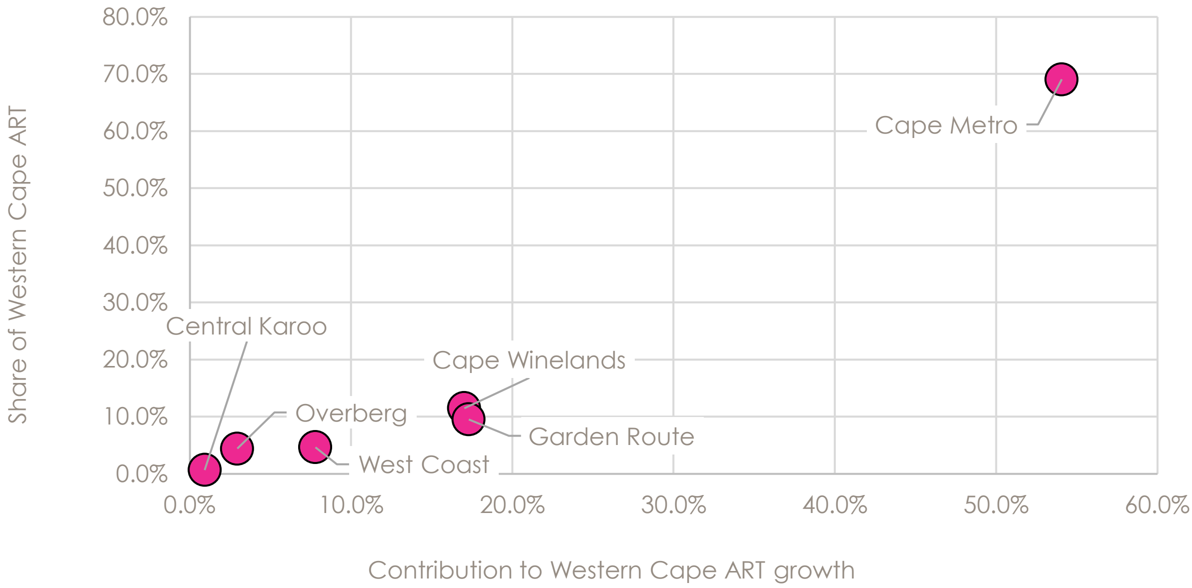
Chronic lower respiratory diseases (4.0 per cent) further reflect underlying environmental and behavioural health risks, such as smoking and air pollution. The data underscores a shifting disease profile in the Province, with a rising burden of non-communicable diseases alongside infectious disease threats, placing increased pressure on the health system. This distribution points to the need for a comprehensive, integrated health strategy that continues to manage communicable diseases while significantly scaling up prevention, early detection, and management of NCDs.

5.3.4 HIV/AIDS Services

Antiretroviral therapy (ART) is a lifeline in the fight against HIV, transforming a once-fatal disease into a manageable condition. In the Western Cape and beyond, ART empowers individuals to live longer, healthier lives by suppressing the virus, boosting immunity, and preventing transmission. This cornerstone of care drives hope, reduces stigma, and strengthens communities, revolutionising public health with every dose.

Between 2020/21 and 2024/25, the Western Cape made notable progress in expanding access to ART by 11.8 per cent, with strong growth observed across most districts. In 2024/25, the Cape Metro continued to have the largest portion of patients on ART (69.1 per cent), although it made a relatively smaller contribution to the growth (54.1 per cent) of ART rollout in the Western Cape.

Figure 5.11 Regional share of total rollout of ART in the Western Cape in 2024/25 and contribution to growth, 2020/21-2024/25 in the Western Cape, 2020/21 -2024/25



Source: Western Cape Department of Health and Wellness

Over the period, notable growth contributions were made by the Cape Winelands (17.0 per cent) and Garden Route (17.3 per cent) rural districts in contrast to its relatively smaller share in ART rollout in the Western Cape of 11.5 per cent and 9.6 per cent respectively in 2024/25. This significant contribution to growth reflects changing patterns in ART service delivery over the five-year period, which could possibly point to expanded access, improved outreach, and strengthened service delivery in previously underserved areas.

These trends reflect the Department of Health and Wellness' push to decentralise HIV services, improve community outreach, and strengthen primary care platforms. These gains also indicate better testing, improved linkage to care, and a growing network of community-based ART delivery systems.

However, the momentum achieved thus far is at risk due to the United States government decision to stop/discontinue USAID funding in 2025. USAID has historically supported a wide range of HIV services, from testing and counselling to capacity-building and community mobilisation, particularly in underserved areas. Reduced external funding, alongside budget pressures, could constrain outreach, differentiated ART delivery, and adherence support. If not mitigated, this could reverse progress, widen regional disparities, and weaken efforts to reach the UNAIDS 95-95-95 targets[3].

5.3.5 Infant & Child Mortality, and Maternal Health

While the Western Cape has some of the best healthcare infrastructure in South Africa, significant disparities remain, especially in rural and underserved communities, affecting maternal, neonatal, and child health outcomes. Infant mortality, in particular, continues to be a major concern, shaped by socio-economic factors such as poverty, limited access to quality care, maternal education levels, and nutrition. Environmental conditions, cultural practices, and gaps within the health system also contribute to this challenge. Although global death rates from these causes have declined since 2 000, the share of under-5 mortality has remained unchanged at 4 in 10 children. This highlights that access to quality healthcare remains a critical determinant of survival for both mothers and newborns worldwide.

5.3.5.1 Neonatal mortality

Monitoring the neonatal mortality rate is a critical pulse check for healthcare systems, particularly in the Western Cape. By monitoring these early-life outcomes, policymakers can pinpoint gaps in maternal and infant care, drive targeted interventions, and allocate resources effectively. This data shapes life-saving policies, reduces preventable deaths, and ensures every newborn has a fighting chance for a healthy future.

The neonatal mortality rate in facilities refers to the number of deaths of infants within the first 28 days of life per 1 000 live births, specifically among those born and/or dying within a healthcare facility. According to the World Health Organisation, the majority of neonatal deaths, (around 75.0 per cent) occur within the first week of life, with nearly one million newborns dying in the first 24 hours globally. The main causes of death include prematurity, complications during birth (such as asphyxia or trauma), infections, and congenital conditions.

Figure 5.12 The In-Facility Neonatal Mortality Rate per District in the Western Cape, 2020/21 - 2024/25

	2020/21	2021/22	2022/23	2023/24	2024/25	Average
Cape Metro	8.7	8.2	9.7	9.0	9.0	8.9
Cape Winelands	10.7	8	8.6	7.5	8.0	8.6
Central Karoo	15.6	7.5	23.2	14.8	11.0	14.4
Garden Route	7.8	7.7	8.9	11.1	6.0	8.3
Overberg	3.8	5.6	8.4	4.1	6.0	5.6
West Coast	7.1	7.2	7.1	4.9	6.0	6.5

Source: *Western Cape Department of Health and Wellness*

The Central Karoo district consistently reports substantially higher mortality rates compared to the rest of the Province, peaking at 23.2 in 2022/23 and remaining at elevated rates thereafter (11.0 in 2024/25). This stands in contrast to districts such as Cape Metro (9.0 in 2024/25), Overberg (6.0), and West Coast (6.0) in 2024/25, which have maintained relatively lower and

[3] Adopted by United Nations Member States in June 2021, alongside ambitious targets for primary prevention and supporting enablers, the 95–95–95 HIV testing, treatment and viral suppression targets aim to close gaps in HIV treatment coverage and outcomes in all sub-populations, age groups and geographic settings (2023, Global AIDS update, and WC DH&W APP, 2024/25)

more stable rates over time. These findings highlight the uneven distribution of health outcomes and point to the particular vulnerability of the Central Karoo District.

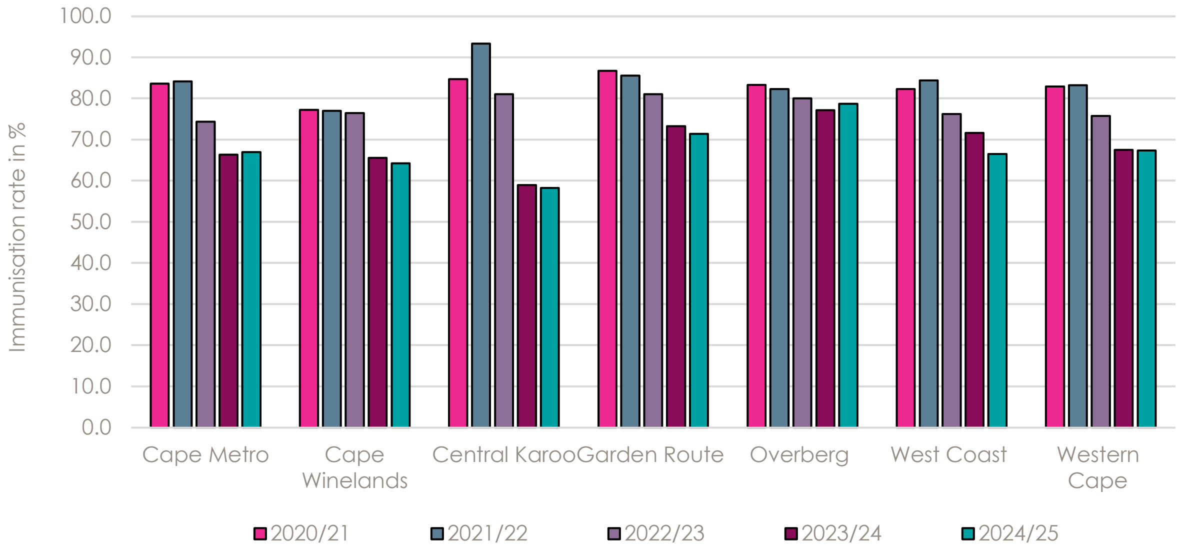
Persistent neonatal mortality disparities in the Western Cape, especially in Central Karoo, possibly stem from limited access to specialised care, workforce shortages, long travel distances, and socio-economic challenges. Addressing these requires targeted investment in rural healthcare, better referral and transport systems, and policies to retain professionals, ensuring equitable resource allocation for newborn survival and inclusive development.

5.3.5.2 Immunisation coverage under 1 years old

Immunisation is a cornerstone of infant health, shielding newborns from deadly diseases. By fortifying their delicate immune systems, vaccines prevent outbreaks, reduce mortality, and pave the way for thriving futures. This simple act of protection empowers communities, ensuring every baby has the chance to grow strong and healthy.

Between 2020/21 and 2024/25, a concerning decline (-15.6 percentage points) in the immunisation rates is evident with most districts in the Western Cape. The Central Karoo, while exceeding 90 per cent coverage in 2021/22, fell below 60 per cent in 2024/25, highlighting the vulnerability of large and sparsely populated regions to service delivery access. The Cape Metro also declined from a strong 83.6 per cent in 2020/21 to 66.9 per cent in 2023/24.

Figure 5.13 Immunisation Rate per District in the Western Cape, 2020/21 - 2024/25



Source: Western Cape Department of Health and Wellness

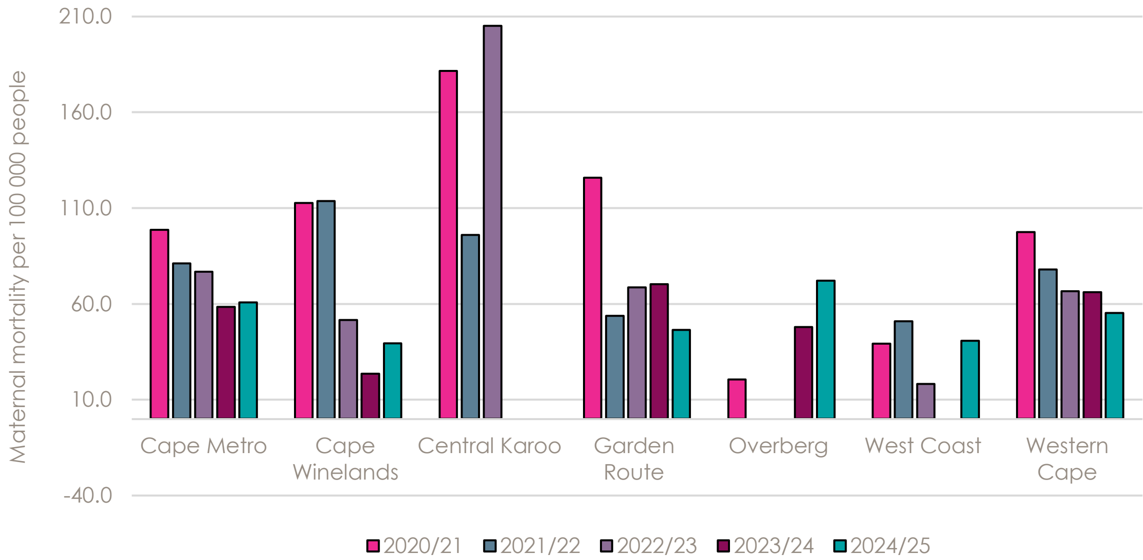
This province-wide decline suggests broader systemic issues. Possible contributing factors include the lingering impact of COVID-19, which diverted focus and resources away from routine immunisation, staff burnout, logistical and vaccine supply challenges, as well as growing mistrust or hesitancy among certain communities. Districts such as the Cape Winelands, Garden Route, Overberg, and West Coast also showed consistent performance until 2023/24, after which all districts reported visible declines.

5.3.5.3 Maternal Health

A healthy mother at the time of giving birth is the heartbeat of a thriving future for both her and her baby. In the Western Cape, ensuring maternal well-being through proper care, nutrition, and support reduces risks, enhances neonatal outcomes, and strengthens families. Vibrant mothers nurture resilient communities, laying the foundation for a healthier, brighter tomorrow.

The maternal mortality in facility ratio (MMFR) refers to the number of maternal deaths per 100 000 live births occurring within a healthcare facility during pregnancy, childbirth, or within 42 days of pregnancy termination, regardless of the cause of death. This ratio is a key indicator of women's health status, access to healthcare, and the responsiveness of the healthcare system. Over the past five years, maternal mortality in the Western Cape varied significantly. Central Karoo consistently recorded the highest rates, peaking above 200 deaths per 100 000 live births in 2022/23, far above the provincial average.

Figure 5.14 Public Sector In-Facility Maternal Mortality Rate in the Western Cape per District, Average, 2020/21 - 2024/25



Source: Western Cape Department of Health and Wellness

The Western Cape's maternal mortality ratio, though peaking in 2020/21 due to the pandemic, has shown a promising decline over the five-year period. However, disparities across districts, especially in rural areas, highlights ongoing inequities. Improved emergency obstetric care, referral networks, transport, and community interventions were essential to sustain this positive trend and ensure equitable maternal health outcomes.

Conversely, districts with lower maternal mortality rates have benefited from strengthened primary healthcare systems, better access to skilled birth attendants, enhanced emergency obstetric services, and effective community outreach programmes that raise maternal health awareness. These successes underscore the importance of continued investment in healthcare infrastructure and targeted support for vulnerable populations.

5.3.5.4 Mental Health

Mental health is the cornerstone of a vibrant, fulfilling life, shaping how people think, feel, and connect. Prioritising it fosters resilience, reduces stigma, and empowers individuals to thrive amidst life's challenges. By nurturing emotional well-being, we unlock human potential, strengthen communities, and build a foundation for a healthier, more compassionate society

The Rising Global Mental Health Crisis: Unraveling the Impact of Pandemic, Technology, and Environment

Evidence indicates that global mental wellbeing has deteriorated over the past five years, with significant increases in mental health disorders reported. A major factor is the COVID-19 pandemic, which exacerbated mental health issues worldwide, causing increased anxiety, depression, and psychological distress, particularly affecting women and young people (Maki et al., 2023; WHO, 2019). Other contributing factors include prolonged social isolation, economic hardships such as cost-of-living crises, climate change anxieties, and ongoing social disruptions (OECD, 2025; Daly, Sutin, & Robinson, 2022).

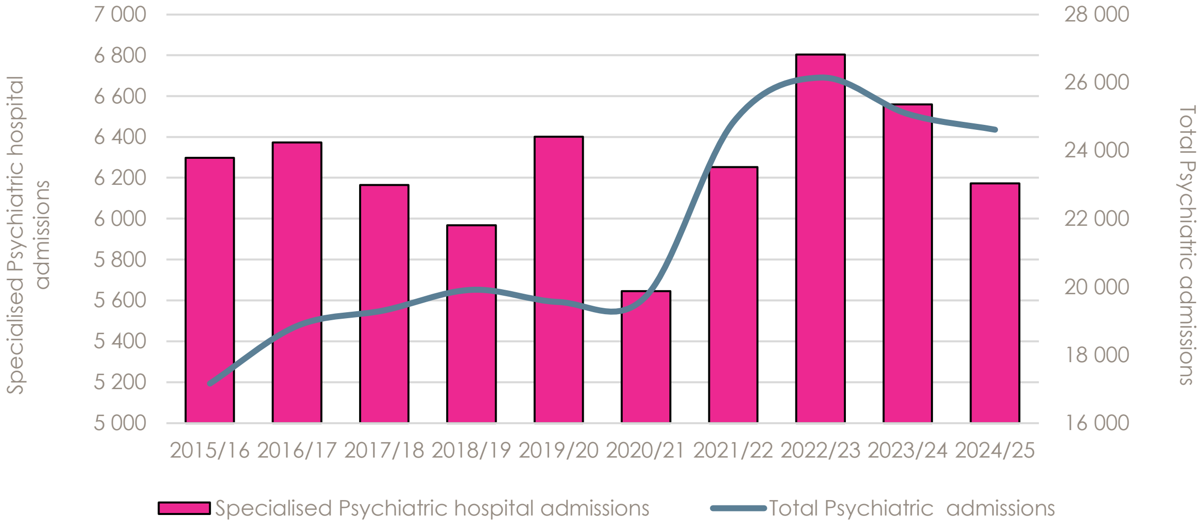
Studies report that the prevalence of anxiety and depression symptoms approximately doubled during the pandemic, with continuing elevated levels beyond 2020. Additionally, societal pressures, stigma reduction, and increased awareness have led to higher diagnosis rates, particularly among males, though females still show higher incidence overall. Emerging research also links increased screen time and social media use with heightened depression and anxiety symptoms, especially among adolescents and young adults, due to factors like social comparison, cyberbullying, and disrupted sleep patterns (Twenge, Haidt, & Campbell, 2023). Conversely, exposure to natural sunlight has been shown to have a protective effect against depression by regulating circadian rhythms and boosting serotonin levels (Lambert, Reid, Kaye, Jennings, & Esler, 2024). Thus, the rising burden underscores the urgent need for enhanced mental health services, early intervention policies, and community support systems globally.

Source: World Health Organisation

The number of patients seeking mental health services in Western Cape public hospitals rose by 52.3 per cent from 17 167 in 2015/16 to a peak of 26 149 in 2022/23, before a slight decline in 2023/24 and 2024/25. Over the same period, Specialised hospital admissions increased by 8.0 per cent. Specialised hospital admissions had reached a peak of 6 803 in 2022/23 after which it declined by 9.3 per cent to 6 172 admissions in 2024/25.

The post-2020/21 surge, driven by post-COVID-19 needs and population growth, has strained the resource-limited health system, highlighting the urgent need for enhanced mental health infrastructure and staffing.

Figure 5.15 Total Psychiatric Admissions & Specialised Psychiatric Hospital Admissions in the Western Cape, 2015/16 - 2024/25



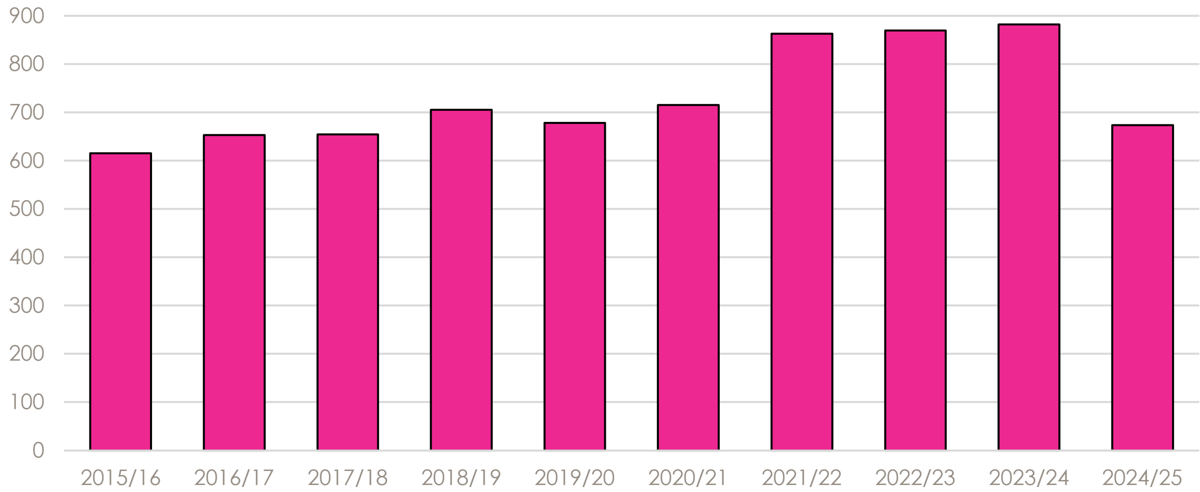
Source: Western Cape Department of Health and Wellness

A 2022 University of the Witwatersrand study revealed that 25.7 per cent of South African adults reported probable depression, with 17.8 per cent experiencing probable anxiety, rates notably higher than in the United States (6.9 per cent), Germany (5.6 per cent), Australia (10 per cent), and Brazil (7.9 per cent) (Craig et al., 2022). Only 15 - 25 per cent of affected individuals receive treatment, a gap exacerbated by the COVID-19 pandemic's impact on healthcare access (Craig et al., 2022; EAPA-SA, 2023; Kim et al., 2020).

The study links Adverse Childhood Experiences to a 21 - 22 per cent increased risk of depression and anxiety, with lower education levels, particularly among historically disadvantaged groups, further elevating mental health risks (University of Witwatersrand, 2022). It urgently calls for targeted mental health services for vulnerable groups; older, single, less educated, and resource-poor individuals; and advocates integrating these services into primary healthcare to address this crisis effectively (University of Witwatersrand, 2022).

Mental health is the bedrock of a thriving life, yet its deterioration can lead to devastating outcomes like suicide, a growing concern across the country. Addressing this crisis through early intervention, stigma reduction, and accessible care is vital to saving lives, fostering resilience, and nurturing hope for stronger, healthier communities.

Figure 5.16 Number of Suicides in the Western Cape, 2015/16 - 2024/25



Source: Western Cape Department of Health and Wellness

From 2015/16 to 2024/25, the incidence of Suicide in the Western Cape has shown an upward trend, growing by 43.4 per cent or 267 suicides. This increase likely reflects the cumulative impact of socio-economic stressors, escalating mental health disorders, and gaps in access to timely and appropriate support. While psychiatric medication has become more widely available, challenges persist in accessing specialised mental health professionals, sustained counselling, crisis intervention services, and community-based psychosocial support.

These limitations are more acute in rural districts and low-income urban areas, where services are scarce or overburdened. The sharp rise from 2020/21 onwards may also be linked to the psychological and economic aftershocks of the COVID-19 pandemic, which intensified feelings of isolation, financial insecurity, and grief. However, the number of suicides has drastically declined by 23.7 per cent to 673 suicides in 2024/25, suggesting the potential impact of targeted interventions or increased awareness. Suggesting that the DH&W's continued implementation of its comprehensive approach to strengthening mental health services across primary, community, and hospital settings, investing in specialised infrastructure, fostering partnerships with NGOs (Non-Governmental Organisation), and supporting employee well-being (Department of Health and Wellness Annual Report, 2024/25).

Alcohol's Dual Edge: Exploring Its Complex Tie to Suicide Rates

The link between increased alcohol consumption and suicide rates is complex, with most evidence indicating that higher alcohol use increases suicide risk, rather than reducing it. Research consistently demonstrates that alcohol misuse heightens suicide risk by impairing judgement, increasing impulsivity, and worsening mental health conditions. For instance, individuals with substance use disorders, including alcohol, are 1.5 times more likely to attempt suicide, with 33.8 per cent of alcohol users reporting such attempts (Breet et al., 2024). The World Health Organization reported that alcohol contributed to 2.6 million deaths in 2019, including suicides, due to its depressogenic effects and role in amplifying adverse life events (World Health Organization, 2024).

However, some studies suggest specific contexts where increased alcohol consumption might align with lower suicide rates, though these findings are nuanced and not universal. Some studies, suggest rare scenarios where increased alcohol consumption coincides with reduced suicide rates. A Swedish study observed lower suicide rates after alcohol prices dropped following EU entry, possibly linked to economic prosperity rather than alcohol itself (Norström & Stickley, 2022). Similarly, a South Korean study found that light drinking (up to one glass daily) among former non-drinkers was associated with lower depression risk, potentially reducing suicide risk indirectly, though moderate-to-heavy drinking increased it (Kim et al., 2022). These findings are heavily caveated by cultural and socio-economic factors.

Source: World Health Organisation

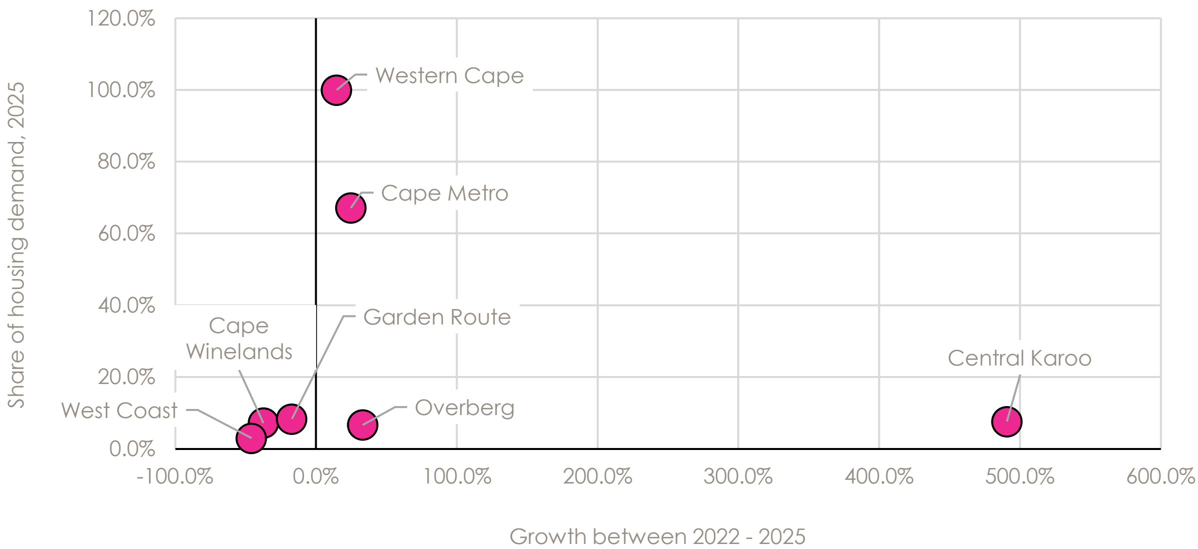
5.4 Household services

A home is more than bricks and mortar, it's a sanctuary of stability, dignity, and hope, anchoring families and communities in the Western Cape. The Western Cape Government plays a pivotal role in this vision, by delivering affordable housing and serviced sites, transforming lives by ensuring access to secure, sustainable homes that foster opportunity and resilience for all.

5.4.1 Housing

Between 2022 and 2025, total housing demand in the Western Cape rose by 14.6 per cent, 591 191 units at the end of 2021 to 643 377 units in 2025. This increase of 82 076 units reflects ongoing population pressures and urbanisation, particularly in the Cape Metro, which accounts for 67.1 per cent of the Province's housing demand in 2024, underscoring the need for sustained housing interventions.

Figure 5.17 Share of registered housing demand in the Western Cape per district, 2025 and housing demand growth (2022 - 2025)



Source: Department of Infrastructure

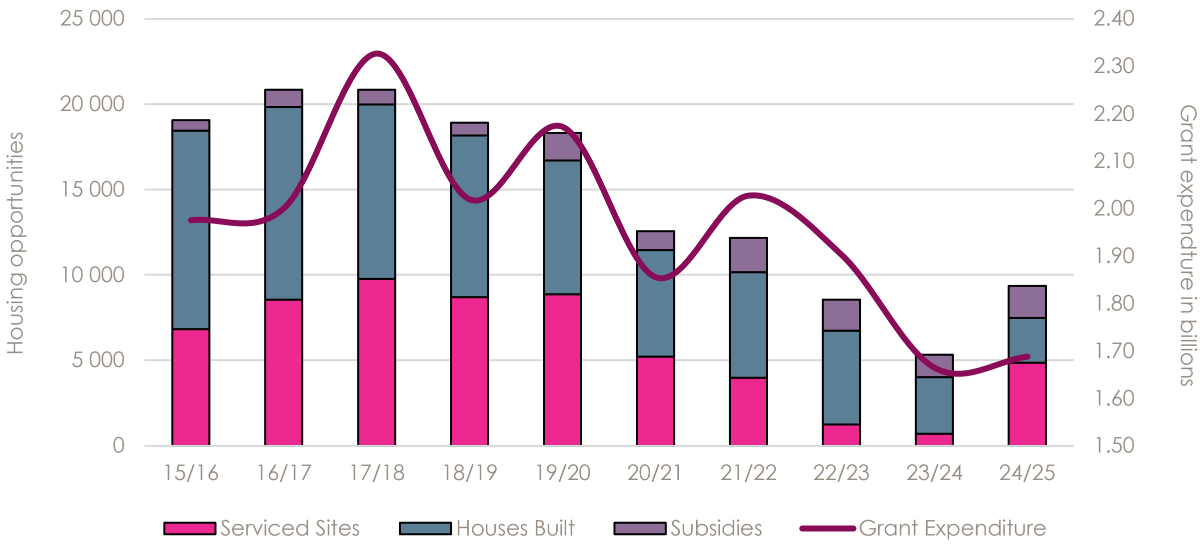
Between 2022 and 2025, the Garden Route and West Coast districts achieved notable success in reducing housing demand, with decreases of 17.2 per cent and 45.8 per cent. By contrast, the Central Karoo District raises concern, with a staggering 490.6 per cent increase in demand, soaring from 8 309 units in 2021 to 49 077 units in 2025, highlighting systemic challenges in this rural area, including capacity constraints, infrastructure and service access disparities, and urban and spatial development issues.

Housing opportunities in the Western Cape, through serviced sites, completed units and subsidies, are a vital catalyst for change as the housing waiting list nears one million. Delivering affordable, well-located homes tackles soaring demand, reduces inequality, and fosters vibrant communities, while serviced sites empower families to build assets and secure stable, thriving futures.

Over the past decade, the Western Cape delivered a total of 132 705 housing opportunities, comprising 58 666 serviced sites (40.2 per cent), completed 74 272 houses (50.9 per cent), and provided 12 964 subsidies. While the early years showed relatively balanced delivery between sites and houses, a clear shift emerged from 2021/22 onward, toward top-structure delivery, with houses making up over 80 per cent of total output in 2022/23 and 2023/24. This trend indicates a prioritisation of immediate shelter needs but also reflects a decline of 57.8 per cent between 2015/16 and 2024/25[4] in the provision of serviced land, which is essential for long-term planning and incremental housing solutions.

[4] For cumulative growth, the start value of 2015/16 is used; therefore, the end value of 2014/15 is used for the calculation.

Figure 5.18 Number of Houses, Serviced Sites Delivered, Subsidies and Grant expenditure in the Western Cape, 2015/16 - 2024/25



Source: Western Cape Department of Infrastructure

Note: These figures are reported in the Draft Annual Report of DoI, which is currently still under review by the AGSA.

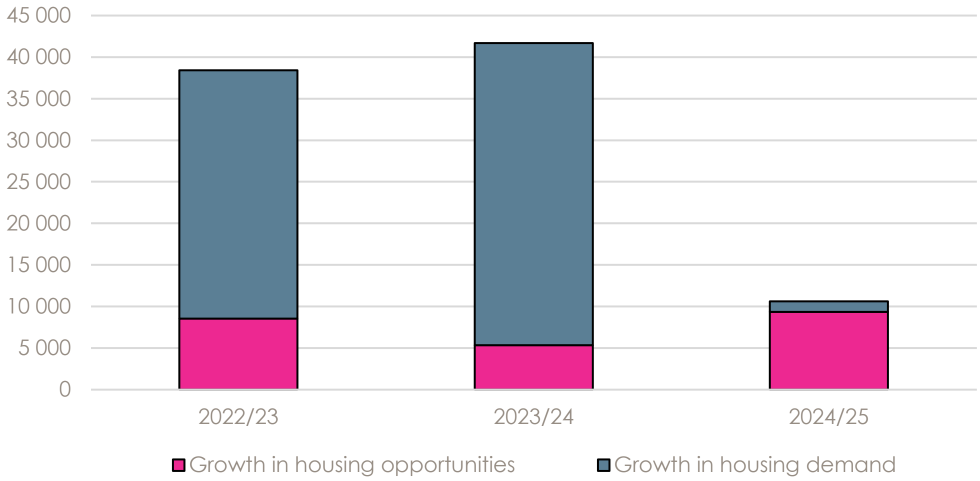
Annual housing output has also decreased significantly, from nearly 20 000 opportunities in 2017/18 to 7 486 in 2024/25, highlighting growing constraints related to budget, land, and delivery capacity, also noting the impact of COVID-19. Pandemic restrictions halted construction activity for extended periods, disrupted supply chains for building materials, reduced labour availability due to health risks, and diverted public funds toward emergency relief, slowing project initiation and completion. The 'construction mafia' crisis has further delayed delivery through site invasions, extortion, and intimidation of contractors. The rebound by 48 per cent in 2024/25 may suggest a partial correction or renewed focus on service sites.

Similar trends are observed in grant expenditure over the period, with Housing opportunities largely funded by the Human Settlements Development Grant (HSDG). Additionally, the introduction of the Informal Settlement Upgrading Partnership Grant (ISUPG) in 2021/22 directed funding toward in-situ upgrading projects. Furthermore, over the past decade, there has been a gradual increase in subsidies (16.7 percentage points) and a decline in the number of sites serviced. However, in 2024/25, a sudden surge in sites serviced resulted in a 51.9 percent increase in total housing opportunities.

When comparing growth in housing demand to growth in housing opportunities, between 2022/23 and 2024/25, housing demand increased by 67 507, while the Province delivered 23 224, or 34.4 pe cent, of the additional demand.

The data reveals growing fiscal constraints, reduced site servicing, and an increasing reliance on incremental upgrading over large-scale greenfield housing delivery, signaling the need for policy innovation and financing reform to meet housing demand sustainably. A more balanced approach, in partnership with the private sector that focuses on service sites will be key to addressing the Province's growing housing demand sustainably.

Figure 5.19 Growth in housing demand vs growth in housing opportunities



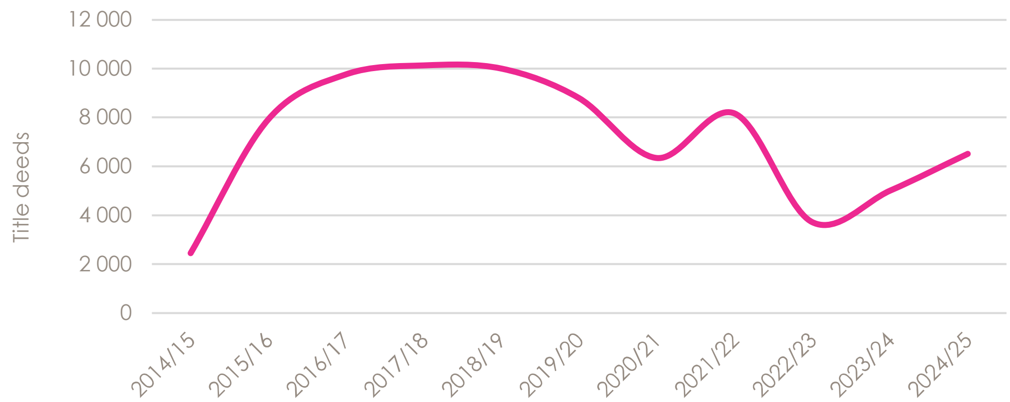
Source: Western Cape Infrastructure Department, Provincial Treasury (own calculations)

Note: Average costs of housing opportunities range between R8 633 and R312 066 per unit. Of which

- The lowest total cost to build a house is for a temporary shelter, is R89 051 per unit.
- The highest total cost to build a house is for a 50 square metre house for military veterans, which is R312 066 per unit.
- A standard 40 square metre dwelling is R183 257 per unit.
- Costs for Service Sites range between R8 633 and R72 107 per unit. (Source: Western Cape Department of Infrastructure)

Between 2015/16 and 2024/25, 78 851 title deeds were delivered, contributing towards the Western Cape's broader human settlements strategy. The Province achieved a peak of delivering over 10 000 title deeds in 2017/18 and 2018/19. Delivery declined sharply between 2020/21 and 2022/23, reaching a low of 3 727 due to funding constraints, project delays, COVID -19, and administrative backlogs. In 2024/25, 6 515 title deeds were delivered, exceeding its target of 2 900, largely due to enhanced efficiencies, data-driven processes, and improved project management (Western Cape Department of Infrastructure Annual Report, 2024/25).

Figure 5.20 Number of Title deeds registered, in the Western Cape, 2015/16 - 2024/25



Source: Western Cape Department of Infrastructure

Building Hope: Namibia's Housing Model Inspires Reform

Namibia and South Africa face pressing housing challenges driven by rapid urbanisation, population growth, and unemployment, yet their strategies differ significantly. Namibia's community-led approach, anchored by the Flexible Land Tenure System (FLTS), empowers informal settlement residents, especially women, to incrementally upgrade tenure from starter titles to freehold, fostering affordability and security (Muller & Mbanga, 2019). Community groups like the Shack Dwellers Federation of Namibia drive development through savings and partnerships.

In contrast, South Africa's state-led programme has delivered over 5 million subsidised homes since 1994, but a 2.5 million household backlog persists due to affordability barriers, limited community engagement, and reliance on relocation over in-situ upgrading (Tissington, 2011).

Key lessons from Namibia's model include:

- Prioritising in-situ upgrading to avoid disrupting livelihoods and social networks.
- Introducing flexible, upgradeable land tenure that allows residents to move from starter titles to full ownership as circumstances improve.
- Leveraging community savings schemes to build financial resilience and co-fund development.
- Embedding women's leadership in housing projects to enhance social stability and equity.
- Fostering public–community partnerships to align government resources with local priorities.

The Western Cape Government can lead reform by piloting these inclusive, data-driven solutions, advocating for a national policy shift toward sustainable, equitable housing frameworks that empower communities and bridge spatial inequalities.

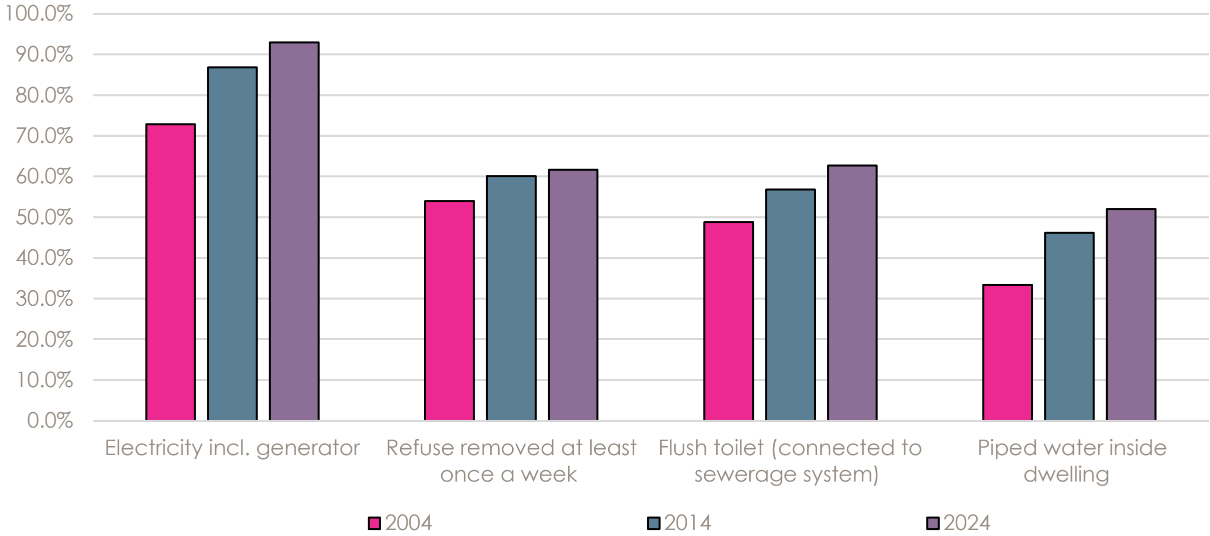
Source: International Institute for Environment and Development

5.4.2 Dwelling services

Municipal services like electricity, refuse removal, and water are the lifeblood of thriving communities in the Western Cape, powering homes, ensuring cleanliness, and sustaining health. These essential services underpin dignity, economic opportunity, and resilience, transforming daily life. By delivering reliable access, municipalities foster vibrant, equitable communities where every resident can flourish and build a brighter future.

Analysis of service delivery data for 2004, 2014, and 2024 reveals a strong and sustained upward trend in household access to basic services across South Africa. Access to electricity (including generators) increased from approximately 72 per cent in 2004 to over 90 per cent in 2024, approaching universal coverage. Weekly refuse removal also improved, rising from 53 per cent to over 60 per cent, while access to flush toilets connected to the sewerage system grew from just under 50 per cent to over 60 per cent. Notably, access to piped water inside dwellings, a critical indicator of quality of life, rose from 32 per cent to over 50 per cent over the two-decade period.

Figure 5.21 Share of basic municipal services to total household dwellings in the rest of South Africa, 2005, 2014, 2024



Source: Quantec, Own calculations

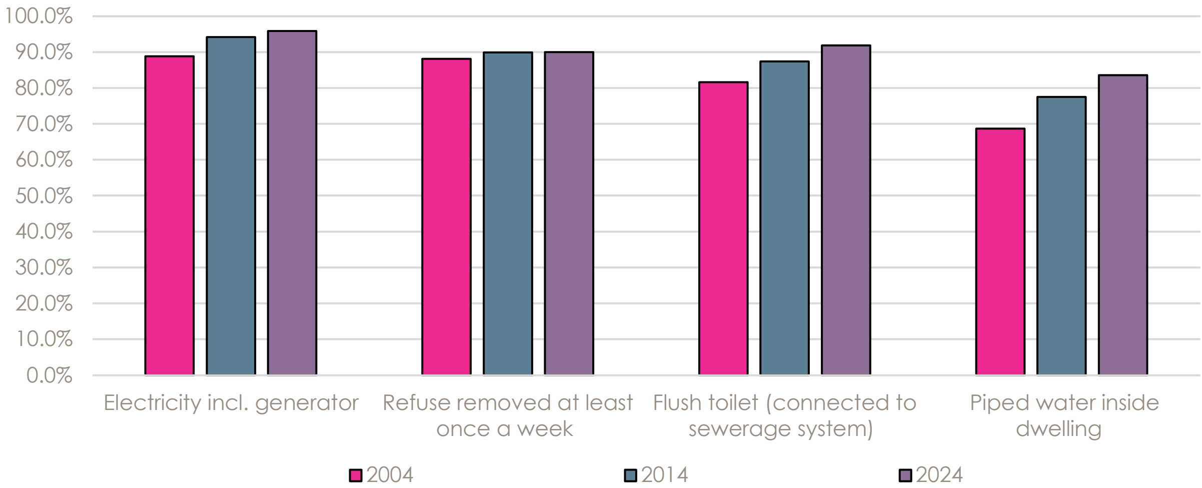
Despite progress, persistent service delivery gaps in South Africa must be addressed. While electrification is nearly universal, inadequate sanitation and in-dwelling piped water persist, especially in urbanising areas and informal settlements. In many cases, bulk water and wastewater infrastructure is either absent or operating beyond capacity, resulting in frequent service interruptions and contamination risks. Informal settlements often lack reticulated networks entirely, relying on shared standpipes or chemical toilets, which are insufficient for growing populations.

Rapid urban migration places pressure on already strained municipal systems, while land tenure uncertainty delays formal infrastructure upgrades. Ageing infrastructure, under-maintenance, and limited technical skills in some municipalities further exacerbate these challenges. Targeted investments in water and sanitation should be based on evidence from municipal infrastructure audits, household needs assessments, population growth trends, and service backlog data. These investments, coupled with innovation and inclusive planning, are crucial for public health, environmental sustainability, and spatial justice.

The Western Cape has made remarkable strides in service delivery from 2004 to 2024, with improvements of 7.1 percentage points in refuse removal (88.1 per cent to 95.2 per cent), 10.2 percentage points in flush toilets (81.6 per cent to 91.8 per cent), and 14.9 percentage points in piped water (68.6 per cent to 83.5 per cent). These gains highlight a robust enhancement in sanitation and water access within the Province.

However, significant gaps remain in rural municipalities such as Beaufort West, Kannaland, Hessequa, Prins Albert, and Matzikama, where several water supply systems have been rated as critical. Within urban areas, informal settlements, notably in Khayelitsha, Mitchells Plain, Philippi, and the Driftsands informal settlement near Mfuleni, continue to be challenged with unreliable access to water and sanitation. These communities face persistent flooding, damaged or absent facilities, and long delays in repairs, often caused or worsened by insecure land tenure and violent service delivery environments.

Figure 5.22 Share of basic municipal services to total household dwellings in the Western Cape, 2004, 2014, 2024



Source: Quantec, Own calculations

Compared to South Africa's delivery of basic services, the Western Cape excels, leading by 28.3 percentage points in refuse removal, 29.1 percentage points in flush toilets, and 31.5 percentage points in piped water in 2024, showcasing its superior infrastructure and commitment to equitable service access.

A home is more than shelter; it anchors dignity, stability, and opportunity. While the Western Cape has made strides in housing delivery, title deeds, and basic services, demand continues to outpace supply, particularly in regions such as the Central Karoo. Fiscal constraints, urbanisation, and delivery disruptions highlight the need for innovative responses. To close the gap, the Province must accelerate affordable housing, strengthen public-private partnerships, and integrate spatial planning with service delivery. These measures are vital to ensuring secure tenure, improved services, and dignified living for all residents.

5.5 Crime

Crime casts a dark shadow over the Western Cape, weaving a complex web that frays the social fabric and stifles economic vitality. From shattered community trust to deterred investment, its ripple effects erode safety, disrupt livelihoods, and deepen inequality. Confronting this challenge is crucial to restoring resilience, fostering unity, and unlocking the Province’s prosperous potential.

5.5.1 General crime trends

Between 2019 and 2024, the Western Cape revealed a complex crime landscape, blending persistent challenges with encouraging shifts. Murder offences climbed to 4 551 cases, reflecting a concerning 14.0 per cent rise, while sexual offences held steady at 7 078 incidents, nearly matching 2019 levels, indicating a troubling plateau. Conversely, Burglary at residential premises dropped sharply to 27 124 cases, a robust 31.4 per cent decline, signaling a positive trend in addressing this form ofcrime.

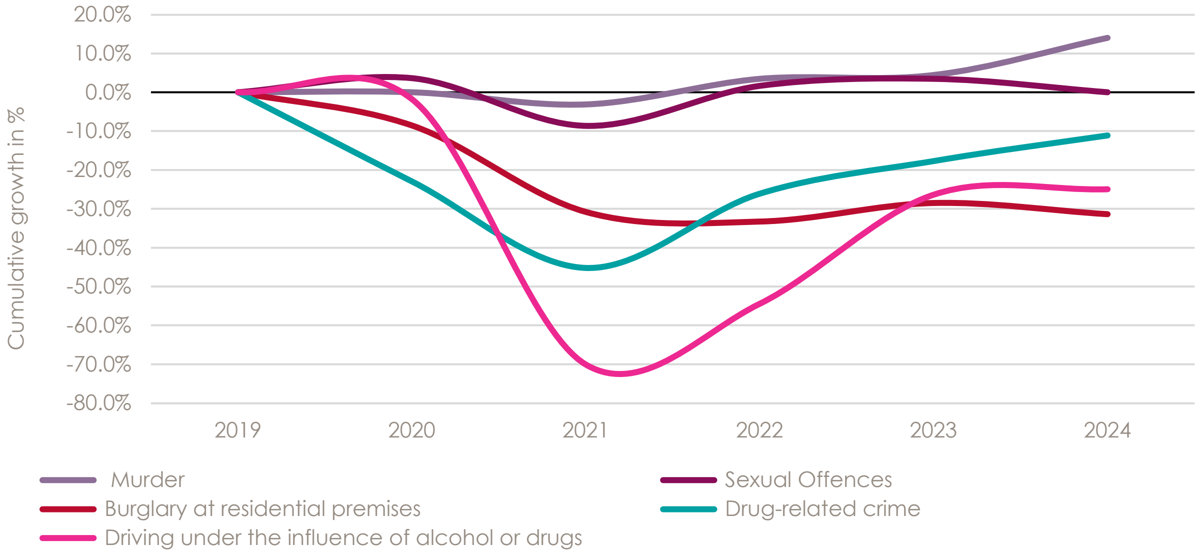
Western Cape's Gang Violence Crisis: A Deep-Rooted Challenge Demanding Urgent Action

Gang violence in the Western Cape remains a severe crisis, with 4, 467 murders reported in the 2024/25 financial year, of which 882 were gectg-related. Despite some decreases in certain areas, the Western Cape, home to less than 12% of South Africa's population, accounts for nearly 90% of the country's gang-related murders. Areas like Philippi East and Kraaifontein have seen spikes in violence, deeply affecting communities through cycles of neglect and spatial injustice (Western Cape Government, 2025).

The Province hosts between 90 and 130 active gangs, including notorious prison-affiliated groups such as the 28s and Hard Livings, with over 100 000 members. Gang recruitment increasingly targets children, perpetuating violence. Experts emphasise the need for multi-sectoral approaches addressing both crime and underlying social issues like poverty and unemployment (Global Initiative, 2025; Cape Argus, 2025).

Source: Western Cape Government; Global Initiative

Figure 5.23 Western Cape crime rates among five crime categories, 2019 - 2024

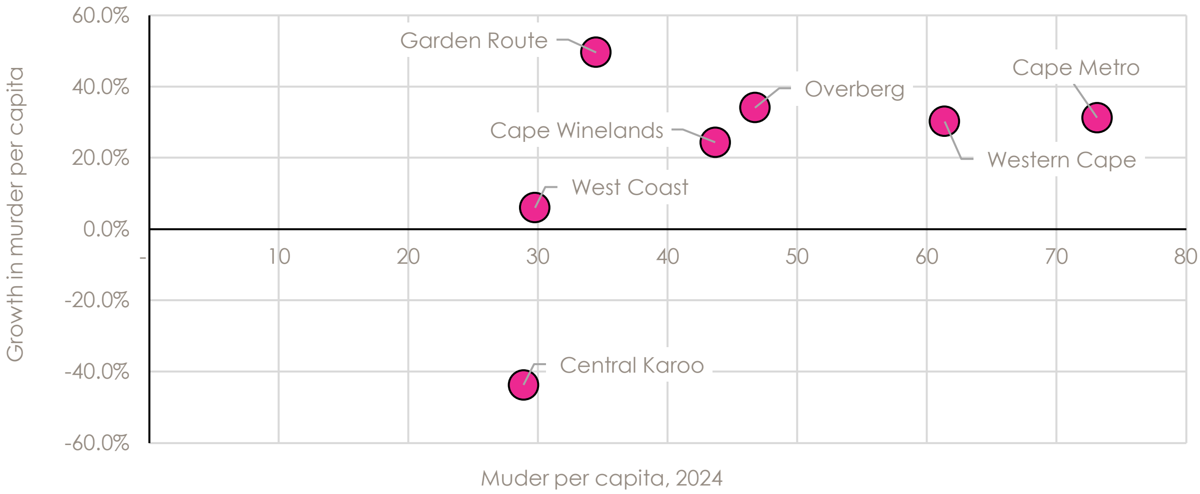


Source: SAPS, Quantec

Drug-related incidents peaked at 72 617, yet contracted by 11.0 per cent, hinting at a moderate downturn, while driving under the influence fell to 9 463 cases, bolstered by a 24.9 per cent reduction, likely due to effective enforcement or shifting behaviours. The COVID-19 lockdown, starting in 2020, initially curbed crimes like Murder during its strictest lockdown phases, but by 2024, this effect had faded. As restrictions eased, crime rebounded, with murder rates sustaining its upward trajectory, reflecting a return to pre-pandemic patterns shaped by evolving social dynamics.

Murder casts the most profound and haunting shadow over society in the Western Cape, fracturing community bonds, instilling fear, and leaving scars that linger beyond the act itself. Its ripple effects erode trust, strain mental health resources, and disrupt economic stability, demanding urgent action to heal the social fabric and restore hope for all residents. Per capita[5] murder rates standardise comparisons, adjust for population, and guide targeted safety interventions in the Western Cape.

Figure 5.24 Murder per capita in 2024 and growth in murder per capita (2015 - 2024) per district, in the Western Cape



Source: Quantec, own calculations

In 2024, the Province displayed significant variations in murder trends across its districts. Over the past decade, murder per capita in the Province increased by 30.2 per cent to 61 murders in 2024, with notable growth in the Garden Route (49.6 per cent) and a persistent high rate of murder per capita in the Cape Metro (73). The Central Karoo (29) and West Coast districts (30) had the lowest murder rates in 2024.

[5] Total murders per 100 000 people

5.5.2 LEAP Deployment

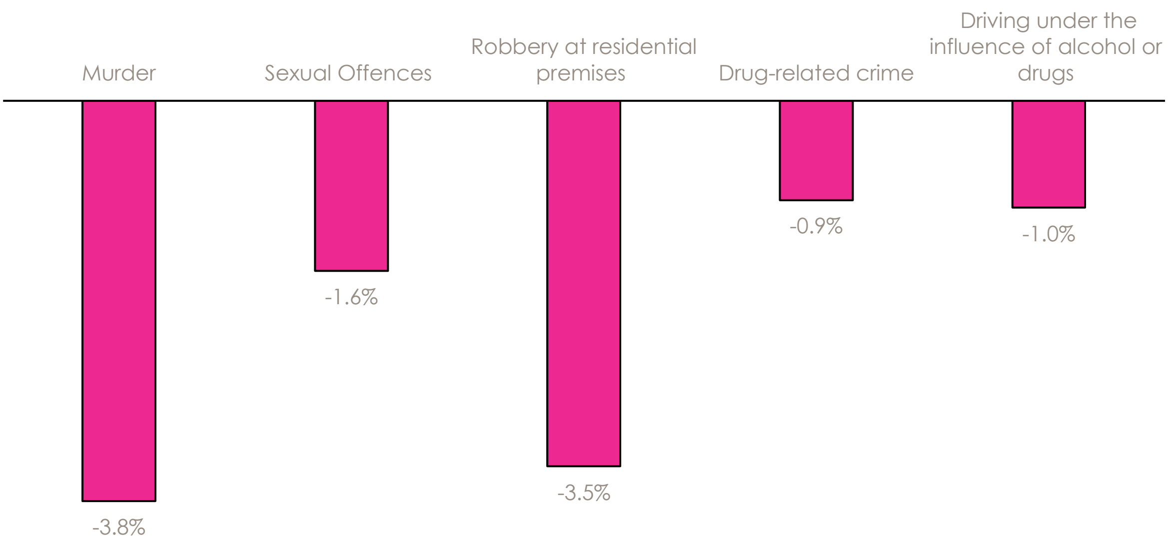
The Law Enforcement Advancement Plan (LEAP) ignites hope in the Western Cape, tackling violent crime with bold visibility and strategic officer deployment in high-risk hotspots. Backed by the Department of Police Oversight and Community Safety and partnered with the City of Cape Town, LEAP deploys on average, over seven hundred (700) trained officers to bolster South Africa Police Service (SAPS) efforts. It also empowers rural municipalities with training and providing EPWP-funded placements as well as breaking capacity barriers. Aligned with the Western Cape Safety Plan, LEAP fuels the Provincial Strategic Plan's vision of safe, united communities, driving down violence and fortifying the Province's safety framework.

While Cape Town remains challenged by extensive levels of crime, this risk has not been matched by an increase in national police resourcing, but rather, the total number of SAPS personnel employed in the Western Cape saw a decline from 19 860 in March 2018 to 19 270 in March 2023. This represents a net decrease of 590 personnel between 2018 to 2023 (Western Cape Policing Needs and Priorities report, 2024/25). LEAP is therefore a critical policy response aimed at strengthening and addressing the policing needs and priorities together with SAPS and the City of Cape Town, to enhance public safety and combat the surge in violent crimes within the Province.

Measuring the impact of government interventions is a vital compass, illuminating the path to progress in the Western Cape. It unveils the true reach of initiatives like LEAP, ensuring resources fuel safety, equity, and growth, while exposing gaps to spark innovation. This insight empowers leaders to refine strategies, building a resilient, thriving society for all.

The impact of the LEAP programme was measured by taking the share of criminal offences of each police precinct LEAP officers were deployed to the remaining areas in the Western Cape with no LEAP interventions. This ratio was averaged over the last 17 quarters of LEAP deployment and compared to the average ratio of a control group of 17 quarters without any LEAP interventions. As a result, the impact of LEAP interventions could be measured by determining if the incidence of crime in the LEAP areas were relatively more or less compared to the rest of the Western Cape.

Figure 5.25 Comparison of average crime ratios of hotspot areas to the rest of the Western Cape between LEAP interventions and no interventions over 17 quarters: Control period (1Q2016 - 1Q2020), LEAP interventions period (1Q2021 - 1Q2025).

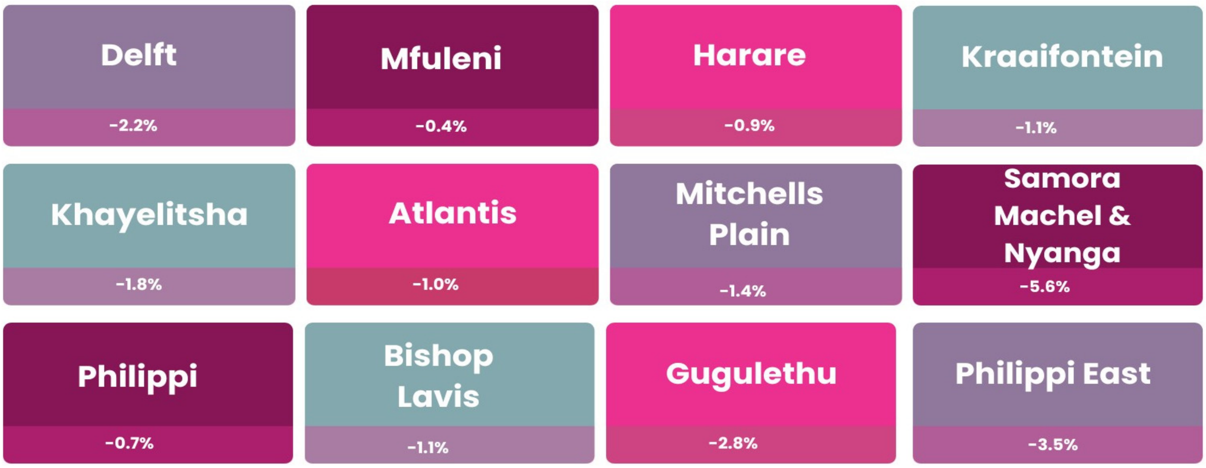


Source: Western Cape Department of Police Oversight and Community Safety, Own calculations

A comparison of crime ratios of crime hotspot areas to the rest of the Western Cape between 17 quarters with and without LEAP interventions show that the ratios have improved in all five studied crime categories after LEAP implementation. The most notable improvements were among the Murder (-3.8 percentage points), Robbery at residential premises (-3.5 percentage points) and Sexual Offence (-1.6 percentage points) categories.

When the average improvements are calculated across all five crime categories, the Nyanga (Samora included) precinct showed the best result with an average improvement of 5.9 percentage points. LEAP officers were deployed for 11 quarters from the 1st quarter of 2021 to the 3rd quarter of 2023 in the Nyanga precinct (Samora included).

Figure 5.26 Average improvement in selected crime categories in LEAP hotspot areas in the Western Cape, 1Q2021 - 1Q2025



Source: *Western Cape Department of Police Oversight and Community Safety, Quantec, Own calculations*

The most notable improvement within the Nyanga (including Samora) precinct was the Murder ratio (-9.4 percentage points) which was only slightly less than the improvement in the Murder ratio (-10.0 percentage points) of the Nyanga (Samora excluded) precinct, which were exposed to six quarters of LEAP deployment from the 4th quarter of 2023 to the 1st quarter of 2025.

While LEAP has delivered measurable reductions in crime in hotspot areas, persistent challenges remain, particularly the rise in murder rates that continue to erode trust, safety, and economic confidence in the Province. Addressing these trends requires scaling up LEAP, increasing SAPS staffing, and strengthening coordination across all spheres of government, which is being done through the governance structures of the WCG Safety Portfolio. At the same time, community policing, neighbourhood watches, and targeted violence prevention initiatives must be reinforced. Investment in early interventions and youth-at-risk programmes will be key to breaking cycles of violence and fostering safer, more resilient communities across the Province.

Impact of the Western Cape Safety Plan – current progress (as at 2025)

The Western Cape Safety Plan (WCSP), launched in 2019, has achieved significant progress in strengthening safety infrastructure and social support services, with its core goal of reducing murders by 50 per cent. Policing interventions such as the deployment of LEAP officers (refer to section 5.5.2), the accreditation of 1 137 Neighbourhood Watch structures, and the confiscation of 812 firearms have enhanced enforcement capacity, while WCLA enforcement operations expanded more than tenfold from 80 to 1047 operations.

On the social side, the Province exceeded targets in parenting support, substance abuse treatment, and psychosocial support for GBV victims, with the latter rising dramatically from 580 in 2018/19 to 24 464 in 2024/25. The introduction of new preventative measures, such as identifying and supporting over 4 200 children at risk, reflects progress in tackling the root causes of violence. Overall, while enforcement gains have not translated into lower violent crime, strong performance in social interventions highlights the need for a more integrated, prevention-focused approach to improving safety outcomes.

Source: Western Cape Department of Police Oversight and Community Safety

5.6 Social Services

Violence and crime reflect deep social vulnerability, where social services serve as a vital frontline support. Beyond crime prevention, social services tackle poverty, trauma, and exclusion with child protection, mental health care, family counselling, and income assistance, fostering resilience and inclusion. The Department of Social Development’s long-term plan is to create a safe, nurturing, empowering, and supportive environment for vulnerable children, women, youth, Persons with Disabilities, Older Persons, and families. This is delivered through social services to reduce inequality and enhance well-being, making them essential for socio-economic stability in the Western Cape.

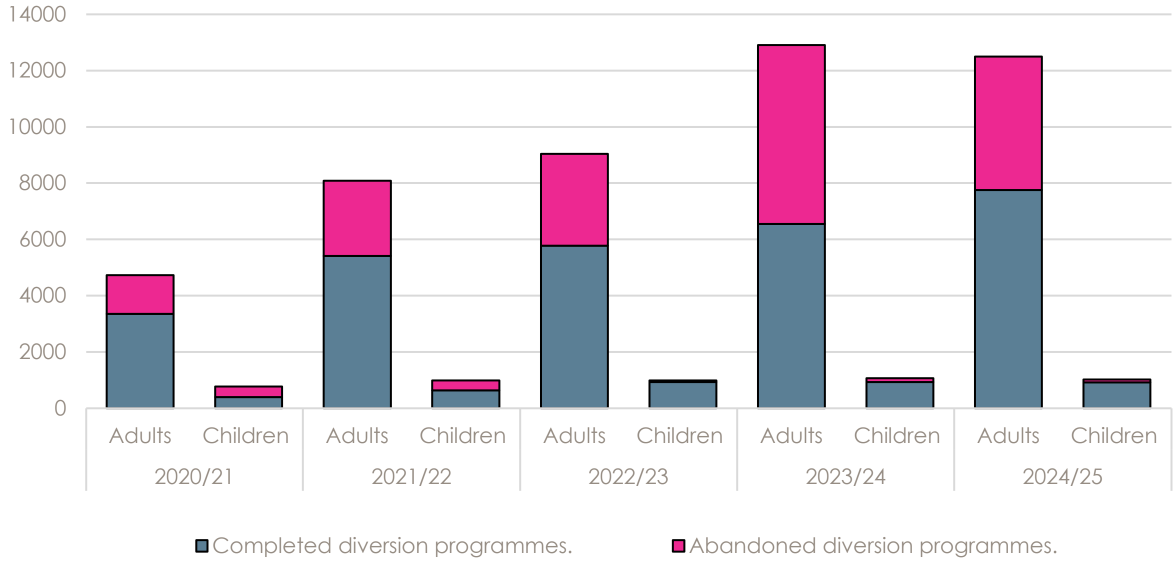
5.6.1 Restorative Services

South Africa's social development diversion programmes redirect young offenders from formal courts while addressing the causes of offending. These include life skills, substance abuse therapy, restorative justice, and counseling, targeting behaviors like substance abuse and poor decision-making (Western Cape Government, 2024; Noyam, 2025). Department of Social Development (DSD), mandated by the Child Justice Act, Probation Services Act, and Children's Act, enhances these services through the annual Diversion Accreditation Cycle and funding of implementation partners.

Programmes vary by offense, severity, and age; younger children often engage in self-development activities, while older youth participate in structured therapies like cognitive behavioral therapy. The goal is to foster accountability, prosocial behavior, and successful community reintegration (Western Cape Government, 2024; Noyam, 2025).

From 2020/21 to 2024/25 the number of adults (164.4 per cent) and children (32.9 per cent) referred to diversion programmes has increased substantially. Over the period, the average completion rate for adults (62.9 per cent) was lower than for children (77.1 per cent), while children referred to the diversion programme comprised, on average of a much smaller portion (11.1 per cent) compared to the total contingent. The data suggests that early intervention through life skills training, cognitive behavioural therapy, and restorative justice may be more effective for younger offenders, while adult-focused programmes may require strengthening to address complex drivers such as substance abuse and unemployment.

Figure 5.27 Number of Adults and Children referred to and completed diversion programmes 2020/21 to 2024/25

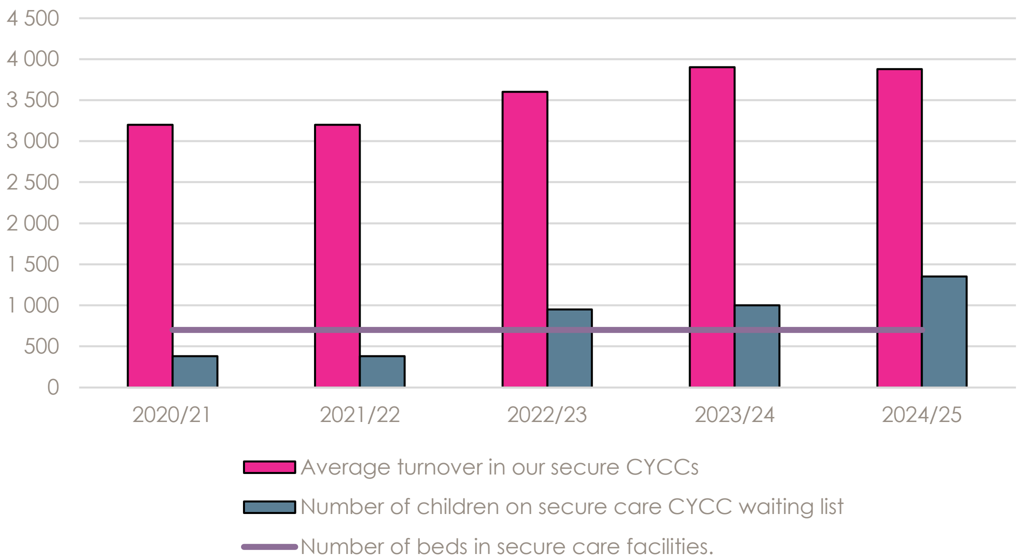


Source: Western Cape Department of Social Development

This steady rise in referrals to the diversion programme underscores dedicated efforts to embed restorative practices for criminal offenders, nurturing their development and seamless reintegration while sparing them the enduring scars of formal prosecution. The growing uptake and successful completion of diversion programmes powerfully affirm their role in curbing recidivism and fostering social inclusion, harmonising with the Western Cape's broader vision of resilient, equitable justice.

Between 202/21 and 2024/25, the number of beds available in secure care facilities have remained fixed at 701 beds. However, the average turnover in secure CYCCs has steadily increased, reaching 3 880 in 2024/25, from approximately 3 200 in 2020/21. This upward trend reflects a growing number of children cycling through these facilities, indicating heightened demand for secure care placements due to social vulnerabilities or conflict with the law.

Figure 5.28 Child and Youth Care Centres (secure facilities) in the Western Cape, 2020/21 to 2024/25



Source Western Cape Department of Social Development

Simultaneously, the number of children on the secure care CYCC waiting list has risen significantly by 3.6 times over the period, suggesting that existing capacity is insufficient to meet demand.

The stagnant bed capacity, contrasted with rising turnover and waiting lists, highlights a growing pressure on the system. This imbalance points to both operational and resource constraints that may compromise the quality and timeliness of care. The data signals an urgent need for expanded infrastructure, improved early intervention strategies, and strengthened community-based alternatives to reduce reliance on secure care.

5.6.2 Child Protection Services

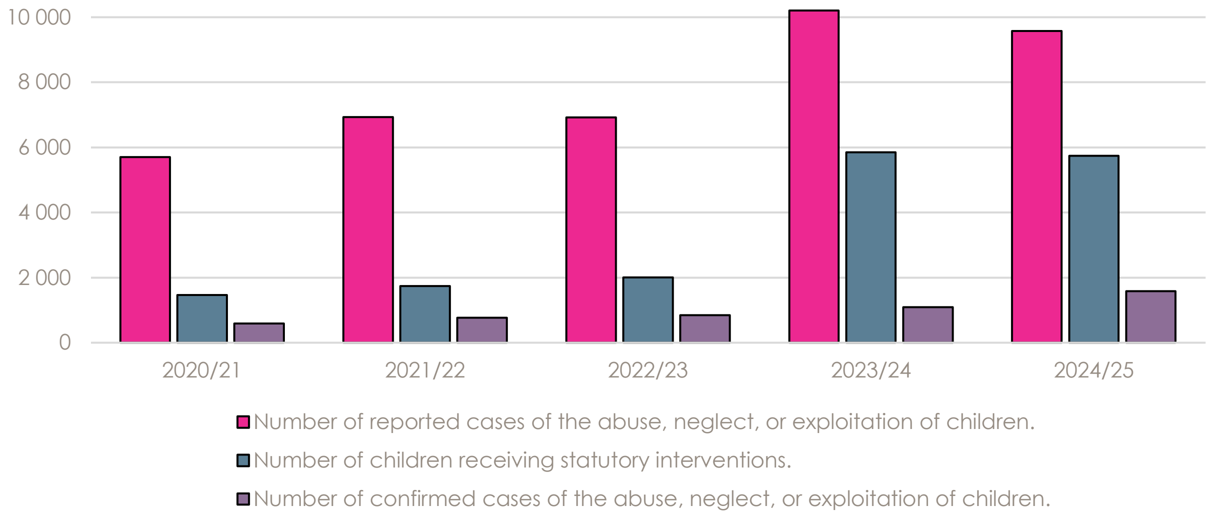
Addressing child abuse, neglect, and violence is a moral imperative that ignites hope for a brighter future. These silent scourges fracture young lives, eroding trust and potential, yet tackling them with compassion and resolve can heal wounds, restore dignity, and build resilient communities where every child thrives.

The DSD leads child protection in the Western Cape with a rights-focused strategy, guided by national and global standards. Offering prevention, early intervention, alternative care, and diversion, it prioritises family reunification and minimises institutionalisation, tackling violence, abuse, and neglect through parenting education, secure care, and after-school programmes. Despite growing secure care demand, DSD invests in infrastructure, partnerships, and psychosocial support to promote healing, development, and reintegration of the most vulnerable children.

In Figure 5.29, the data highlights the growing demand for statutory child protection services delivered by the DSD from 2020/21 to 2024/25. The number of reported cases of child abuse, neglect, or exploitation increased steadily over time, peaking at 10 207 cases in 2023/24, or nearly double the number of reported cases in 2020/21, before a slight decline in 2024/25.

Confirmed cases, while substantially lower, have gradually increased from 10.3 per cent of reported cases in 2020/21 to 16.5 per cent of reported cases in 2024/25, indicating improved detection and investigation capabilities. The number of children receiving statutory interventions also rose sharply, to almost 4 times the number reported in 2020/21, reflecting both the seriousness of cases being reported and DSD's strengthened capacity to respond.

Figure 5.29 Child Protection Services in the Western Cape, 2020/21 to 2024/25



Source: *Western Cape Department of Social Development*

Note: Statutory interventions include Child Care and Protection; Child Justice System Services; foster care placements reunification services, and parent education programmes to support family reintegration. The DSD identifies and intervenes in cases involving children at risk, registers partial care and After School Care facilities, and provides alternative residential care through Child and Youth Care Centres (CYCCs). The DSD also reviews child removal decisions, manages transfers between care forms, and ensures access to education and transport for children with severe disabilities. Under the Child Justice Act (75 of 2008, as amended) and Probation Services Act (35 of 2002), the DSD conducts mandatory assessments of arrested children, facilitates diversion programmes to prevent formal prosecution, and provides secure care for children in conflict with the law.

The sustained growth in interventions and reporting activity points to an increasingly responsive and pro-active system, yet it also signals the need for ongoing investment in early detection, community-based prevention, psychosocial support, and workforce capacity to manage complex cases and reduce long-term harm to vulnerable children.

5.6.3 Older Persons

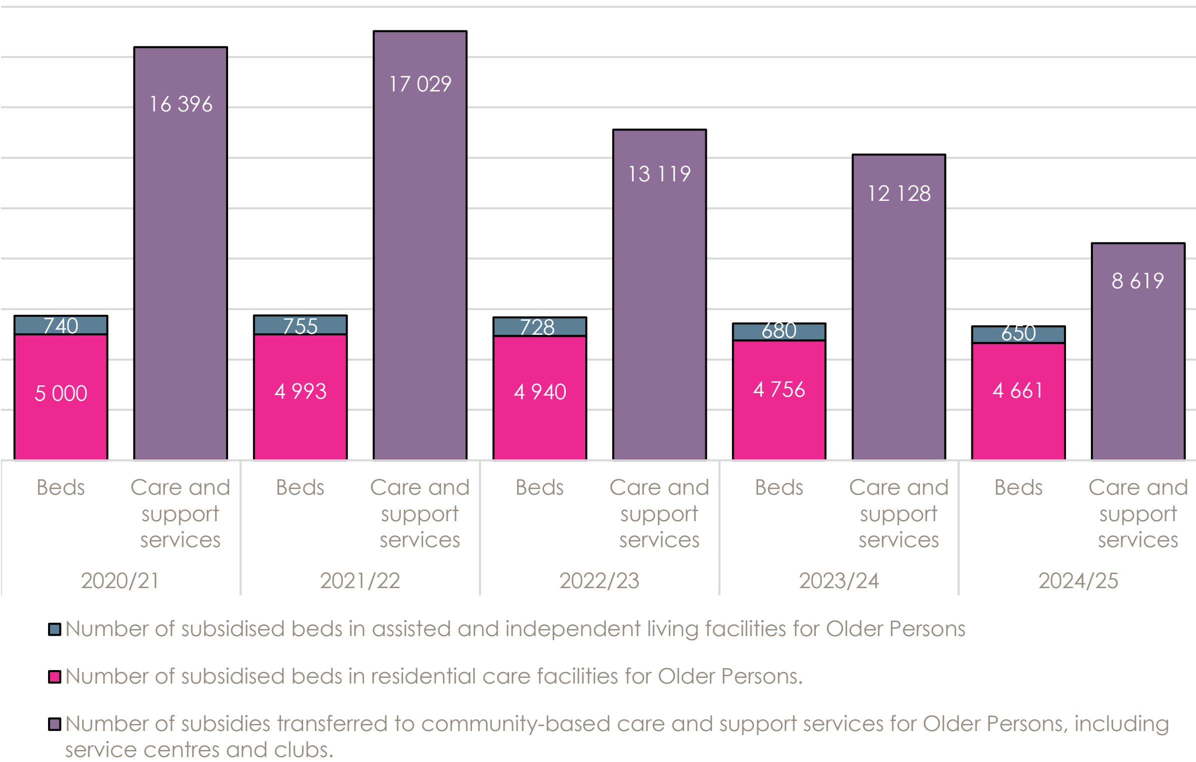
Caring for the elderly is the heartbeat of a healthy society, illuminating wisdom and resilience. These revered individuals, rich with life's lessons, deserve compassion and support, fostering dignity and inter-generational bonds that strengthen communities and ensure a vibrant, inclusive future.

The DSD promotes the well-being and protection of Older Persons through integrated services guided by the Older Persons Act (No. 13 of 2006). These services include the subsidisation of residential care and frail care beds, support for community-based and home-based care programmes, and funding for assisted and independent living facilities.

To safeguard the rights and dignity of Older Persons, the DSD investigates reports of abuse, monitored through the Older Persons Abuse Register, and conducts formal assessments for admissions and reviews in residential facilities. The registration of both residential and community-based care facilities remains a priority to ensure compliance with safety standards and to protect vulnerable and frail older citizens.

Between 2020/21 to 2024/25, the number of subsidies transferred to community-based care and support services for older persons, including service centres and clubs, has shown a declining trend, falling by 47.4 per cent to 8 619 subsidies transferred in 2024/25. Similarly, the number of subsidised beds for older persons declined by 7.5 per cent to 5 311 beds in 2024/25, mainly due to fiscal constraints.

Figure 5.30 Services to Older Persons in the Western Cape, 2020/21 to 2024/25



Source: Western Cape Department of Social Development

Within the context of constrained provincial budgets, these negative trends in service delivery occur against the backdrop of a growing ageing population[6] in the Western Cape, with increased demand for health and social services, particularly in districts with higher concentrations of older residents. Ensuring adequate, sustainable community-based support will be essential to reduce pressure on institutional facilities, promote active aging, and manage the broader socio-economic impacts of population aging in the Province.

From Household to Social Stability: Unveiling the Power of Family Dynamics

The heartbeat of family structures pulses through societal and economic vitality, making their analysis a cornerstone for transformative policy. With limited family-level data, Census 2022 uses households as a proxy, revealing a rich tapestry: 38.1% extended families, 25.2% nuclear, 22.3% single-person, 9.8% couple families, and 4.6% other. Shaped by economic hardship, culture, and migration, extended households offer vital child-rearing and caregiving support, especially where services lag.

These stable units shield against crime, while rising single-person households, fuelled by urbanisation and delayed marriage, heighten isolation and risk. Over five years, the Western Cape Government, via the Department of Social Development, has ignited hope with parenting education, family reunification, and the Risiha Model, alongside after-school care and psychosocial support, tackling substance abuse and violence. Scaling these efforts is key to uprooting crime's causes and fostering resilient, thriving communities.

Source: Western Cape Department of Social Development

5.7 Conclusion

The Western Cape continues to demonstrate resilience and progress across several socio-economic indicators, particularly in education, healthcare, and basic service delivery. In 2024, the Province achieved an 86.6 per cent NSC pass rate, the fifth highest in the country, and the highest-ever Bachelor's pass rate at 47.8 per cent. It also recorded the highest national retention rate from Grades 10 to 12. Education is impacted by rising learner numbers and reduced budgets, which could push the learner-teacher ratio to 1:36.7 in 2025. In health, the ratio of doctors and nurses to the population has declined to its lowest level in seven years, together with a decline in "other health workers", declining from 442.0 to 418.8 per 100 000 population in 2024/25, indicating that continued decline will cause the health system to collapse. Key shifts such as the rollout of Home and Community-Based Care and the expansion of the Central Dispensing Unit have helped decentralise service delivery and improve access to chronic medication.

Housing demand has increased, while delivery of housing opportunities has declined significantly over the past decade. The Province has made steady gains in access to basic services, with near-universal coverage in electricity, piped water, and sanitation. However, persistent pressures from population growth, fiscal constraints, and structural socio-economic challenges continue to place a strain on service delivery. Social development services are also affected, with reduced subsidies for older persons' community-based care potentially undermining the Province's community-care approach. At the same time, crime, particularly murders and sexual offences, remains a concern. While police resourcing has declined within the Western Cape, the impact of LEAP, particularly in hotspot areas, has shown relative improvement in all five crime categories. Addressing these socio-economic challenges will require targeted and focused, integrated strategies that sustain progress while adapting to emerging trends and needs.

[6] Share of age group 60+ in the Western cape has increased by 2.6 percentage points the last decade

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Glossary

Term	Definition
African Continental Free Trade Area (AfCFTA)	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.
African Growth and Opportunity Act (AGOA)	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-Sahara African (SSA) countries, including South Africa.
Agri-Processing	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.
Antiretroviral Therapy (ART)	A medical treatment for HIV that suppresses the virus, improves health outcomes, and reduces transmission, contributing to increased life expectancy in South Africa.
Automation	The use of technology, such as robots and AI, to perform tasks traditionally done by humans, often leading to increased efficiency but potential job displacement in low and medium-skill sectors.
Bachelors Pass	A high-level achievement in the National Senior Certificate (NSC) examinations that qualifies students for admission to bachelor's degree programs at universities.
Back on Track (BOT) Programme	A Western Cape Education Department initiative designed to address learning gaps caused by disruptions like COVID-19, providing targeted support to improve learner outcomes in key subjects.
Basic Education Laws Amendment Act	South African legislation that amends laws governing basic education, making attendance compulsory from Grade R to Grade 9 and emphasising equitable access and quality.
Blended Learning	An educational approach that combines traditional in-person classroom teaching with online digital resources to enhance flexibility and learning outcomes.
Capital Stock	The total value of physical assets like machinery, buildings, and equipment accumulated in an economy or sector, essential for measuring investment and productivity growth.
Child and Youth Care Centres (CYCCs)	Secure or residential facilities providing care, education, skill-building, and rehabilitation for vulnerable children and youth affected by abuse, neglect, or conflict with the law.
Concurrent Function	A governmental responsibility shared between national and provincial levels, such as education, where national sets policy and provinces handle implementation.
Core Inflation	A measure of price changes excluding volatile items like food and energy, revealing underlying trends.

Term	Definition
Cumulative Growth	The total expansion of an economic indicator (e.g., GVA or exports) over a period, often equivalent to compound annual growth rate (CAGR) when smoothed, used to assess long-term sectoral performance.
Deindustrialisation	The process of social and economic change involving the decline, removal, or reduction of industrial activity, capacity, or manufacturing in a country, region, or economy.
Demographic Dividend	The economic growth potential arising from a large working-age population, provided it is supported by investments in education, health, and job creation.
Dependency Ratios	The proportion of non-working-age individuals (children and elderly) relative to the working-age population, influencing economic productivity and social support needs.
Discouraged Job-Seekers	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.
Diversion Programmes	Rehabilitative initiatives that redirect young offenders from formal court processes toward counseling, life skills training, and restorative justice to prevent recidivism.
Economically Inactive	Working-age individuals who are neither employed nor actively seeking work, often due to studying, caregiving, or other non-labour market activities.
Embedded Generation	Small-scale electricity production integrated into local grids, often from renewable sources like solar PV, helping to alleviate energy shortages in the Western Cape.
Emerging Market and Developing Economies (EMDEs)	A broad group of approximately 150 countries (not classified as advanced economies) with evolving economic structures, increasing global relevance, and sustained access to international capital markets, though without strict criteria for classification.
Employment Coefficient	A measure of how much employment grows in response to economic growth (GDP), with values close to 1 indicating near-proportional job creation.
Equitable Share	The portion of national revenue allocated to provinces based on a formula, used to fund essential services like education and health.
Expanded Unemployment Rate	A broader measure of unemployment that includes discouraged job-seekers who have stopped looking for work.
Fertility Decline	A reduction in birth rates over time, influenced by factors like education, urbanisation, and access to contraception, leading to smaller family sizes.
Fintech	Financial technology firms using digital innovations like AI and mobile apps to provide services such as payments and lending.

Term	Definition
Fixed Investment	Long-term commitments to capital assets like infrastructure and machinery by public and private sectors, crucial for sustainable economic growth and job creation.
Foreign Direct Investment (FDI)	An investment made by a resident entity in one economy (the direct investor) to establish a lasting interest in an enterprise (the direct investment enterprise) located in another economy. The lasting interest implies a significant degree of influence on the management of the enterprise, typically involving ownership of at least 10% of the voting power or shares.
Formal Employment	Jobs in registered businesses or sectors with legal protections, such as contracts, benefits (e.g., pension, medical aid), and compliance with labour laws.
Foundation Phase	The initial stage of basic education in South Africa (Grades 1 – 3), focusing on foundational literacy, numeracy, and life skills.
Full-Time Equivalent (FTE) employment	A measure of work opportunities equivalent to 44 weeks of employment. This unit is used to quantify job creation in the programme, particularly for short-term or part-time roles, to standardise reporting across sectors like infrastructure, environment, social, and non-state initiatives.
Gini Coefficient	A measure of income inequality ranging from 0 (perfect equality) to 1 (perfect inequality), used to assess disparities in income distribution across regions.
Gross Domestic Product (GDP)	The total monetary value of all final goods and services produced within a country's borders over a specific period of time.
Gross Domestic Product per Capita	GDP divided by population, indicating average economic output per person; used to measure wellbeing.
Gross Value Added (GVA)	The value of output produced by an economic unit (such as a firm, industry, or sector) minus the value of intermediate inputs (goods and services) used in the production process.
Headline Inflation	Measure of inflation in an economy, representing the overall change in prices for a broad basket of goods and services, typically expressed as a percentage change in indices like the Consumer Price Index (CPI).
Human Development Index (HDI)	A composite measure of health (life expectancy), education (schooling years), and standard of living (income per capita), indicating overall well-being and development levels.
Human Settlements Development Grant (HSDG)	A national grant funding housing development, including serviced sites and completed units, to address housing backlogs.
Hybrid Learning	An educational model combining simultaneous in-person and remote instruction, often using technology to accommodate diverse needs.
Immunisation Coverage	The proportion of a population (e.g., under-1-year-olds) that has received required vaccines to protect against preventable diseases.
Independent Power Producers (IPPs)	Private entities generating and selling electricity, often from renewables.

Term	Definition
Industry 4.0	The fourth industrial revolution, characterised by the integration of digital technologies like AI, IoT, and automation into manufacturing and services, transforming work processes.
Informal Employment	Work without formal contracts, benefits, or legal protections, often in unregistered businesses, including self-employment, domestic work, or small-scale trade; provides flexibility but lacks security.
Informal Settlement Upgrading Partnership Grant (ISUPG)	A grant supporting the in-situ upgrading of informal settlements with basic services like water, sanitation, and electricity.
Information Communications and Technology (ICT)	The sector encompassing telecommunications, software, and digital services, driving investment and connectivity in the Western Cape for economic and social development.
Intermediate Phase	The middle stage of basic education (Grades 4 – 6), building on foundational skills with increased focus on subject-specific learning.
Job Satisfaction	Employees' overall feelings about their work, influenced by factors like pay, conditions, work-life balance, recognition, and career growth; higher satisfaction can boost engagement and productivity.
Labour Force	The pool of working-age individuals (15 – 64 years) who are either employed or actively seeking work, forming the productive core of an economy.
Labour Force Participation Rate (LFPR)	The percentage of the working-age population that is either employed or actively seeking work, indicating economic engagement levels.
Law Enforcement Advancement Plan (LEAP)	A Western Cape initiative deploying trained officers to crime hotspots to enhance visibility, support SAPS, and reduce violent crime.
Learner-Teacher Ratio (LTR)	The average number of learners per teacher in schools, used to assess classroom overcrowding and teaching capacity.
Life Expectancy	The average number of years a person is expected to live, influenced by health improvements like ART, showing gender and provincial disparities.
Lower-Bound Poverty Line	The Lower-Bound Poverty Line is set at R1 109 per person per month (May 2024 prices). It is defined as: Food Poverty Line (FPL): The minimum amount required to afford sufficient food for daily energy needs (2 100 calories per person per day), which in 2024 is R796 per person per month. Plus a basic allowance for non-food needs: This is based on the average non-food expenditure of households whose total spending is equal to the FPL. These households typically sacrifice part of their food consumption to afford essentials such as clothing, shelter, and transport, making this an austere minimum level of non-food spending.
Maternal Mortality in Facility Ratio (MMFR)	The number of maternal deaths per 100 000 live births occurring in healthcare facilities, indicating the quality of obstetric care.
Median Age	The age that divides a population into two equal halves, indicating ageing trends.

Term	Definition
Monetary Policy Committee (MPC)	The SARB body setting interest rates; shifted to target lower inflation at 3% within the 3 - 6% range.
Narrow Labour Force	A strict definition of the labour force, including only those employed or unemployed and actively seeking work, excluding discouraged job seekers.
National Development Plan (NDP)	South Africa's long-term strategy to eliminate poverty, reduce inequality, and achieve sustainable development by 2030.
National Senior Certificate (NSC)	The qualification awarded upon completing Grade 12, serving as the standard for post-school opportunities in South Africa.
Neonatal Mortality Rate	The number of infant deaths within the first 28 days of life per 1 000 live births, often linked to prematurity, infections, or birth complications.
Net Job Growth	The overall increase in employment after accounting for job losses, reflecting the balance of creation and destruction in the labour market.
Net Migration	The difference between in-migration and out-migration in a region, showing positive inflows in provinces like the Western Cape due to economic pull factors.
Non-Communicable Diseases (NCDs)	Chronic illnesses like diabetes and heart disease, not transmitted between people, increasingly contributing to mortality due to lifestyle and ageing factors.
Okun's Law	An economic principle linking GDP growth to employment changes, where higher GDP typically boosts employment.
Organisation for Economic Co-operation and Development (OECD)	An international organisation promoting economic growth; forecasted weakening global prospects due to trade barriers.
Out-Migration	The departure of people from a region, often from rural or less developed provinces, leading to population loss and in some cases labour shortages.
Population Dynamics	Changes in population size, composition, and distribution over time, shaped by fertility, mortality, and migration, with implications for services and growth.
Population Pyramid	A graphical representation of a population's age and sex distribution, showing a broad base for youth-heavy populations or narrowing for ageing ones.
Previously Disadvantaged Population	In the PERO document, refers to African and Coloured groups historically marginalised under apartheid, often facing ongoing barriers in education, employment, and economic opportunities.
Productive Capacity	The maximum output an economy can sustain with its available resources, including labour, influenced by participation rates and skill levels.
Purchasing Power Parity (PPP)	An economic metric and theory that compares the relative purchasing power of different currencies by determining the exchange rate at which a standard basket of goods and services would cost the same amount in each country.

Term	Definition
Rapid School Build Programme	A Western Cape initiative to rapidly construct modular schools to address infrastructure backlogs and overcrowding.
Renewable Energy Investment	Funding for sustainable power sources like solar and wind, easing grid pressure and supporting the Western Cape's transition to reliable, green energy.
Replacement Level (Fertility)	The total fertility rate (TFR) at which a generation of women gives birth to enough daughters to exactly replace themselves in the population, in the absence of net migration. Stats SA uses approximately 2.1 children per woman as the replacement level, which accounts for mortality (especially child mortality) and sex ratio at birth.
Repo Rate	The interest rate at which the SARB lends money to banks.
Retention Rate	The percentage of learners who remain in school and progress from one grade or phase to the next without dropping out.
Senior Phase	The upper stage of basic education (Grades 7 – 9), preparing students for high school with advanced subject knowledge.
Serviced Sites	Land plots equipped with basic infrastructure (e.g., water, electricity, sanitation) for housing development.
Skills Mismatch	A gap between the skills workers possess and those demanded by employers, leading to unemployment or underemployment despite available jobs.
Small, Medium, and Micro Enterprises (SMMEs)	Businesses with up to 250 employees, crucial for job creation, innovation, and absorbing secondary and tertiary-educated workers in the Western Cape.
Small-Scale Embedded Generation (SSEG)	Localized renewable energy systems (e.g., rooftop solar) connected to the grid, contributing to reduced load-shedding and energy security in the Province.
Spatial Disparities	Uneven development and inequalities between regions, such as urban vs. rural areas, affecting access to services and opportunities.
Special Needs Education	Tailored educational support for learners with disabilities or additional requirements to ensure inclusive access.
Statutory Child Protection Services	Legally mandated interventions to protect children from abuse, neglect, or exploitation, including investigations and care placements.
Systemic Testing	Province-wide assessments in subjects like mathematics and language to evaluate learner proficiency and identify systemic gaps.
Title Deeds	Legal documents confirming property ownership, essential for secure tenure and access to services.
Total Fertility Rate (TFR)	The average number of children a woman would have over her lifetime, used to track fertility trends and predict population growth.
Trade Balance	The difference between exports and imports; South Africa showed a nominal surplus but real deficits, indicating import dependency.
Trade Dynamics	Shifts in export and import patterns, including market diversification and vulnerabilities to tariffs, influencing the Western Cape's global competitiveness.

Term	Definition
Twenty-Foot Equivalent Units (TEUs)	A standard measure for container cargo volume, used to track port performance; the Port of Cape Town handled declining TEUs in 2024 due to operational issues.
Urbanisation	The increasing proportion of people living in urban areas, driving demands for housing, transport, and jobs while amplifying inequalities.
Vocational Pathways	Educational and training routes focused on practical skills for specific trades or industries, improving employability for youth and matriculants.
Western Cape Safety Plan (WCSP)	A provincial strategy to halve murders through enforcement, social interventions, and community partnerships.
Working-Age Population	Individuals aged 15 – 64 years who are potentially available for employment, forming the base for calculating labour force participation and unemployment rates.
Youth Bulge	A large proportion of young people (15 – 34 years) in the population, offering growth potential but risking instability without adequate education and employment.
Youth Unemployment	High joblessness among individuals aged 15 – 34, often due to lack of experience, skills mismatches, and barriers to entry-level opportunities.

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