Western Cape Government

FOR YOU







2026

Provincial Economic Review and Outlook

Western Cape Government
Provincial Treasury

Provincial Economic Review and Outlook 2026

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Foreword

The Provincial Economic Review and Outlook (PERO) is the Western Cape Government's annual review informing the choices that shape the Province's future. It brings together the evidence on our economy, communities, and public services, helping government focus resources where they can make the greatest difference for residents, businesses, and future generations.

The 2026 PERO signals a strong message to the Western Cape Government and municipalities across the province. More and more people are choosing to invest, raise a family and look for work and opportunities in the Western Cape.

The evidence presented in this PERO shows that our Province continues to attract people from across South Africa. Over the past decade, the Western Cape has experienced sustained population growth, driven by significant in-migration. Behind these numbers are individuals and families who believe they will find better opportunity, services, and quality of life here.

This year's PERO is published at a time when public resources are under pressure and demand for services continues to grow. As more people choose the Western Cape, demand grows for housing, schools, healthcare, public transport, and basic services. Communities expect a government that plans ahead, spends public resources wisely and creates the conditions for economic growth.

This year's PERO highlights both the opportunities and the pressures that come with being a province of choice. The Province must respond to a changing world, a rapidly growing population, and the need to sustain opportunity, safety, and dignity in every community.

The Western Cape has much on which to build. It is an economy with diverse strengths, growing employment opportunities, internationally recognised tourism, expanding renewable-energy investment and strong social-development outcomes. This progress cannot be taken for granted.

This report therefore looks beyond short-term conditions. It identifies where momentum is building, where risks need to be managed and where decisive public action can unlock greater opportunity. Its purpose is to support choices that strengthen growth, expand access to work, improve services, and build safer, more resilient communities.

I extend my gratitude to the Provincial Treasury research team, Cabinet colleagues, provincial departments, and municipalities whose contributions have made this publication possible. Their work turns evidence into direction and helps ensure that the Western Cape remains a province of choice focused on delivering more, and delivering better, for its residents.

Ms Deidré Baartman
Minister of Finance
19 November 2026

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Sincere appreciation is extended to the authors and contributors of the 2026 Provincial Economic Review and Outlook. Their expertise, commitment and careful work have brought together extensive evidence and analysis into a clear account of the opportunities, pressures and choices facing the Western Cape. This publication reflects their dedication to rigorous research, practical insight and the highest standards of public service. To every colleague who contributed, your professionalism, perseverance and shared purpose have given this report its value, and your contribution is warmly acknowledged.

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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

South Africa enters the period ahead with important opportunities, but also with deep-rooted structural constraints. Economic growth has remained weak for an extended period, constrained by unreliable energy supply, inadequate transport and municipal infrastructure, weak investment, governance challenges and uneven policy implementation. These pressures have reduced productivity, limited job creation and made it more difficult to address high levels of unemployment, poverty and inequality.

Inflation has moderated from post-pandemic highs, creating some scope for lower interest rates to support households and investment. However, the outlook remains fragile. Energy and food prices, exchange-rate volatility, geopolitical uncertainty and changing international trade conditions continue to pose risks to economic activity. At the same time, rising debt-service costs increasingly limit the resources available for infrastructure, service delivery and other developmental priorities.

Weak fixed investment remains a central concern. The continued weakness of the construction sector and reduced investment in buildings and infrastructure constrain future productive capacity, employment creation and the delivery of essential economic and social infrastructure. South Africa's energy transition also presents both a challenge and an opportunity: expanding renewable generation and strengthening grid capacity can improve energy security, lower emissions and support investment, but progress will depend on reliable transmission infrastructure and affordable electricity.

Global trade developments have added to these pressures. Recent United States tariffs have negatively affected important agricultural and manufacturing exports, highlighting the vulnerability of South African producers to international policy changes. This reinforces the need to improve domestic competitiveness, diversify export markets and support sectors with the potential to generate jobs, investment and foreign earnings.

Against this backdrop, the Western Cape economy has continued to demonstrate relative resilience. Its diversified economy, supported by Finance, Agriculture, Trade, Tourism and renewable-energy investment, has enabled the Province to outperform the national economy. Finance remains a key driver of economic activity and employment, while the recovery in Agriculture has supported rural economies, exports and related value chains. International tourism has also continued to recover strongly, supporting employment and business activity across a range of service industries.

Economic performance remains uneven across the Province. Several rural districts have outpaced the Cape Metro in both GDP and formal-employment growth, while the metro remains less diversified than other major metropolitan economies. This highlights the need to strengthen investment and diversification in the Metro while supporting economic opportunities and infrastructure development across the Province.

The Western Cape labour market has performed relatively well, with formal employment growth outpacing national trends and unemployment declining over the past five years. The labour force has become more representative of the Province's population, while employment gains have been particularly strong among African workers and young people. Education remains central to labour-market opportunity, as people with higher levels of education are more likely to participate in and benefit from the changing, increasingly skills-intensive economy.

Rapid population growth remains one of the Province's most significant long-term challenges. In-migration and natural increase contribute to the labour force and consumer demand, but also place sustained pressure on housing, schools, healthcare, transport, water, sanitation and municipal infrastructure. The ageing of the population will further increase demand for healthcare, social protection and community-based care.

The Province continues to perform comparatively well in education and health, but service-delivery capacity has not always kept pace with population growth. Rising learner enrolment has placed pressure on school infrastructure and teacher capacity, while the growth of healthcare personnel has lagged behind the growing demand for services. The continued expansion of community-based healthcare, antiretroviral treatment and early childhood development is encouraging, but access and quality remain uneven across communities and districts.

Poverty, inequality, housing demand and crime remain major challenges. The number of people living in poverty has increased in recent years, while housing pressure is particularly acute in the Cape Metro. Although targeted safety interventions have contributed to improvements in some crime categories, murder remains a severe concern. Growing demand for child and youth care, together with pressure on services for older persons, also reflects the social vulnerability facing many households.

In summary, the Western Cape's outlook is cautiously positive. The Province has shown resilience through stronger relative economic and employment performance, a diversified economy, renewable-energy development and the continued recovery of international tourism. However, sustained and inclusive progress will depend on higher investment, improved infrastructure, stronger skills development, greater energy security, effective public institutions and the capacity to meet the needs of a rapidly growing and changing population.

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Acronyms

AI	Artificial Intelligence
APOW	Agri-Processing on Wheels
ART	Antiretroviral Treatment
B-BBEE	Broad-Based Black Economic Empowerment
BCI	Business Confidence Index
BER	Bureau for Economic Research
BOT	Back on Track
CDU	Central Dispensing Unit
CO_2e	Carbon dioxide equivalent
COVID-19	Coronavirus Disease 2019
CPI	Consumer Price Index
CSIR	Council for Scientific and Industrial Research
CYCC / CYCCs	Child and Youth Care Centre(s)
DMoC	Differentiated Models of Care
EC	Eastern Cape
ECB	European Central Bank
ECD	Early Childhood Development
EEG	Erneuerbare-Energien-Gesetz surcharge
ELP / ELPs	Early Learning Programme(s)
EMS	Emergency Medical Services
EYS	Expected Years of Schooling
FATF	Financial Action Task Force
FDI	Foreign Direct Investment
FPL	Food Poverty Line
FS	Free State
FSCA	Financial Sector Conduct Authority
G4J	Growth for Jobs
GBV	Gender-Based Violence
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GEAR	Growth, Employment and Redistribution
GFCF	Gross Fixed Capital Formation
Gg	Gigagram
GHG	Greenhouse Gas
GNI	Gross National Income
GT	Gauteng
GVA	Gross Value Added
HCBC	Home and Community-Based Care
HDI	Human Development Index
HHI	Herfindahl-Hirschman Index
Hib	Haemophilus influenzae type b
HIV/AIDS	Human Immunodeficiency Virus / Acquired Immunodeficiency Syndrome
HS	Harmonized System
HSDG	Human Settlements Development Grant
HSE	Health and Safety Executive
HSRC	Human Sciences Research Council
ICT	Information and Communication Technology
IEEPA	International Emergency Economic Powers Act
ILO	International Labour Organization
IOM	International Organization for Migration
IPCC	Intergovernmental Panel on Climate Change
IPP	Independent Power Producer
IRP	Integrated Resource Plan
ISSF	Informal Settlements Strategic Framework
ISUPG	Informal Settlements Upgrading Partnership Grant
ITAC	International Trade Administration Commission of South Africa
ITIF	Information Technology and Innovation Foundation
KZN	KwaZulu-Natal
LBPL	Lower-Bound Poverty Line
LEAP	Law Enforcement Advancement Plan
LEB	Life Expectancy at Birth
LLP	Limited Liability Partnership
LP	Limpopo
LTR	Learner-Teacher Ratio
LVP	Learner Variability Project
MEI	Monthly Employment Indicator

MFN	Most-Favoured-Nation
MICE	Meetings, Incentives, Conferences and Exhibitions
MINECOFIN	Ministry of Finance and Economic Planning
MMWR	Morbidity and Mortality Weekly Report
MoU	Memorandum of Understanding
MP	Mpumalanga
MYS	Mean Years of Schooling
NC	Northern Cape
NCDs	Non-Communicable Diseases
NCJRS	National Criminal Justice Reference Service
NDP/ NDP5	National Development Plan / Fifth
NFCF	Net Fixed Capital Formation
NHI	National Health Insurance
NHW	Neighbourhood Watch
NST2	National Strategy for Transformation 2024–2029
NW	North West
OBR	Office for Budget Responsibility
PA	Prudential Authority
PAYE	Pay-As-You-Earn
PCPS	Primary Commodity Price System
PHC	Primary Healthcare
PPP	Purchasing Power Parity
PrEP	Pre-Exposure Prophylaxis
PSP	Provincial Strategic Plan
PV	Photovoltaic
QLFS	Quarterly Labour Force Survey
REIPPPP	Renewable Energy Independent Power Producer Procurement Programme
RESEP	Research on Socio-Economic Policy
SABSSM VI	Sixth South African National HIV Prevalence, Incidence and Behaviour Survey, 2022
SACU	Southern African Customs Union
SALDRU	Southern Africa Labour and Development Research Unit
SAMRC	South African Medical Research Council
SAnews	South African Government News Agency
SARB	South African Reserve Bank
SARS	South African Revenue Service
SASH	South African Stress and Health
SDA / SDAs	Service Delivery Area(s)
SDG	Sustainable Development Goal
SGB	School Governing Body
SIDS	Sudden Infant Death Syndrome
SMMEs	Small, Medium, and Micro Enterprises
Stats NZ	Statistics New Zealand
Stats SA	Statistics South Africa
SVAR	Structural Vector Autoregression
SWIMS	Social Work Integrated Management System
TFR	Total Fertility Rate
TIMSS	Trends in International Mathematics and Science Study
TIPS	Trade & Industrial Policy Strategies
TVET	Technical and Vocational Education and Training
UBPL	Upper-Bound Poverty Line
UN DESA	United Nations Department of Economic and Social Affairs
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UN-Habitat	United Nations Human Settlements Programme
UNU-WIDER	United Nations University World Institute for Development Economics Research
VECM	Vector Error Correction Model
WC	Western Cape
WCG	Western Cape Government
WCIF	Western Cape Infrastructure Framework
WCIIP	Western Cape Infrastructure Implementation Plan
WCIS	Western Cape Infrastructure Strategy
WPIC	World Platinum Investment Council

Glossary

Term	Definition
Agentic AI	AI systems that can act autonomously, such as analysing transactions and responding to suspected fraud in real time
Agglomeration benefits	Economic benefits that arise when businesses, workers, skills and services are concentrated in the same area
Agri-Processing on Wheels (APOW)	A mobile processing initiative that brings agricultural processing equipment, training and product-development services closer to rural producers
AI adoption	The use or implementation of artificial intelligence technologies by organisations or businesses
AI Agent	An AI system capable of carrying out tasks or taking actions with a degree of autonomy
AI Preparedness Index	An IMF measure of how ready countries are to benefit from AI, considering digital infrastructure, human capital, innovation and policy frameworks
AI shock	A sudden change in economic conditions associated with the introduction or increased use of artificial intelligence
AI-Complementary Skills	Skills that allow workers to work effectively alongside AI and use it to improve productivity
Anti-money laundering	Measures and processes used to detect and prevent the movement or use of illegally obtained money
Antiretroviral therapy (ART)	Medicines used to treat HIV and reduce the amount of virus in the body
Back on Track (BOT)	A Western Cape education programme aimed at recovering learning loss during COVID-19 and strengthening foundational learning, assessments and teacher support

Term	Definition
Backwardation	A market situation where the price for future delivery is lower than the price for immediate delivery
Battery energy storage system	A system that stores electricity in batteries so that it can be used when needed
B-BBEE (Broad-Based Black Economic Empowerment)	A South African policy framework intended to broaden economic participation through measures involving ownership, procurement, management control and supplier development
Business confidence	The degree of optimism businesses have about current and future economic and operating conditions
Capital intensity	The extent to which production relies on physical capital such as machinery and equipment
Capital-Deepening Automation	Automation that increases the amount or sophistication of capital used in production, such as robotics and advanced machinery
Child dependency pressure	The demand placed on economically active people and public services by a relatively large child population
Children's share	The proportion of the total population made up of children, defined in this report as people aged 0–14
Cognitive behavioural therapy (CBT)	A structured form of psychological treatment that helps people change unhelpful patterns of thinking and behaviour
Communicable disease	A disease that can be transmitted between people, directly or indirectly
Community Policing Forum (CPF)	A community structure that works with the police and other stakeholders to address local safety and crime concerns

Term	Definition
Community tacit knowledge	Local knowledge based on residents' lived experiences and understanding of conditions in their communities
Comparative labour-market outcomes	Differences in employment, unemployment or participation results between groups or areas
Consumer Price Index (CPI)	An index measuring changes in the prices of goods and services typically purchased by households
Counter-cyclical Fiscal Support	Government spending or tax measures used to support economic activity when
Decentralised service delivery	Providing services through locations and models closer to where people live rather than concentrating them in a few central facilities
Demographic dependency ratio	The number of dependants relative to the working-age population, usually expressed per 100 working-age people
Demographic dividend	Potential economic benefits that can arise when a large working-age population supports production, savings and income growth
Demographic transition	The long-term shift in population patterns involving changes in fertility, mortality, population growth and age structure
Differentiated Models of Care (DMoC)	HIV service approaches that adapt treatment and follow-up to the needs of different patients, particularly clinically stable patients
Diversion programme	A programme that provides rehabilitative alternatives to formal criminal justice processes for eligible people in conflict with the law
Early Childhood Development (ECD)	The development of young children's cognitive, social, emotional and physical abilities before and around the start of formal schooling

Term	Definition
Early Learning Programme (ELP)	A programme providing structured early learning opportunities to young children before or around the beginning of formal schooling
Embedded generation	Electricity generation located within or close to the electricity distribution network or users, rather than relying solely on large central power stations
Emergency obstetric services	Medical services provided urgently to manage serious complications during pregnancy or childbirth
Employment absorption	The extent to which people entering or already in the labour force are taken up into employment
Energy transition	The shift from traditional energy systems towards cleaner and lower-carbon sources of energy
Enterprise formation	The creation of new businesses or enterprises
Epidemiological transition	A shift in a population's disease and mortality pattern, often from predominantly infectious diseases towards greater prevalence of chronic and non-communicable diseases
Evidence-based planning	Planning that uses reliable data and evidence to identify problems and guide decisions and interventions
Expanded unemployment	A broader measure of unemployment that includes people who want to work but are not actively seeking employment
Expected years of schooling (EYS)	The number of years of schooling that a child entering the education system can be expected to receive
Export basket	The overall mix of goods or products that a region exports
Fertility transition	The long-term decline in fertility rates as populations move towards lower levels of childbearing

Term	Definition
Food Poverty Line (FPL)	The minimum amount of money required to meet basic daily food-energy requirements
Food-poor population	People whose available resources are insufficient to meet minimum nutritional requirements
Foreign Direct Investment (FDI)	Investment made by a foreign investor in a business or productive activity in another country
Foreign exchange earnings	Income earned from selling goods or services to customers in other countries
GDP per capita	GDP divided by the population; an indicator of average economic output per resident
Gender dimension	Consideration of how demographic or socioeconomic conditions affect males and females differently
Gender participation gap	The difference between the labour-force participation rates of men and women
Gender-Based Violence (GBV)	Violence directed at a person because of their gender or gender-related circumstances
Geo-coded data	Data that has been linked to a specific geographic location, allowing patterns to be analysed spatially
Geometric mean	A method of combining values by multiplying them together and taking the appropriate root; the HDI uses it to combine its three dimensions
GFCF	Gross Fixed Capital Formation; annual investment in fixed assets, including replacing depreciated assets and expanding productive capacity
Gini coefficient	A measure of inequality in income distribution; higher values indicate greater inequality
Granger causality	A statistical test used to assess whether past movements in one variable help explain or predict movements in another
Greenfield housing development	Housing development on land that has not previously been developed for urban use
Greenfield investment	Investment in a completely new project or facility rather than purchasing or expanding an existing operation
Gross National Income (GNI) per capita	Gross national income divided by the population; used in the HDI as an indicator of access to economic resources
GVA	Gross Value Added; the value added by industries to goods and services produced in an economy
Health Index	The health component of the HDI, measured in this report using life expectancy at birth
Herd immunity	A level of population immunity that reduces the spread of an infectious disease and provides indirect protection to people who are not immune
HIV viral suppression	A state in which HIV levels in the blood are reduced to a very low or undetectable level through effective treatment
Immunisation coverage	The proportion of the relevant population that has received the required vaccination or immunisation
Impact Pulse	A tool used to track broad economic indicators such as GDP, employment, exports, business confidence and tourism
Imputation	A statistical technique used to estimate missing or incomplete data
Inclusive growth	Economic growth intended to create opportunities and benefits that are broadly shared across society
Income Index	The HDI component reflecting access to economic resources, measured using GNI per capita

Term	Definition
Incremental upgrading	A gradual approach to improving informal settlements through a combination of services, infrastructure, housing and tenure improvements rather than relying only on complete redevelopment
Independent Power Producer (IPP)	A private or non-state entity that generates electricity for supply to the electricity market or other users
In-dwelling water	Piped water available inside a household dwelling
In-migration	The movement of people into a province or region from another area
Integrated Violence Prevention	An approach that seeks to address the underlying causes of violence through coordinated, long-term and data-driven interventions
Intergenerational poverty	Poverty that persists across generations, with economic disadvantage being passed from parents to children
Internal migration	Movement of people from one location to another within the same country
Labour absorption	The process through which people entering or participating in the labour force obtain employment
Labour force/ market	Working-age people who are either employed or unemployed but available for and actively seeking work
Labour force participation rate	The percentage of the working-age population that is either employed or actively seeking work
Labour market/ force attachment	The degree to which individuals remain connected to employment or actively participate in the labour market
Labour market transition	A movement between different labour-market states, such as unemployment to employment or employment to unemployment
Labour-augmenting technology	Technology that improves or supports workers' ability to produce goods or services rather than simply replacing them
Law Enforcement Advancement Plan (LEAP)	A Western Cape safety initiative that deploys trained law-enforcement officers to high-crime areas using intelligence- and evidence-led methods
Learner-teacher ratio (LTR)	The number of learners relative to the number of teachers or educators in a school system
Load shedding	Planned or controlled interruptions of electricity supply used to manage constraints in the power system
Lower-Bound Poverty Line (LBPL)	A poverty threshold that includes minimum food needs plus a limited allowance for essential non-food expenses
Maternal mortality ratio	The number of maternal deaths per 100 000 live births
Mean years of schooling (MYS)	The average number of completed years of schooling among the adult population
Medium-skilled employment	Employment requiring an intermediate level of education, training or occupational skill
MEI (Monthly Employment Indicator)	An administrative employment measure based on PAYE records that provides timely information on filled jobs and gross earnings
Mental health	A person's psychological and emotional wellbeing and their ability to cope with everyday life and challenges
Money-metric poverty	Poverty measured by comparing a person's income or consumption with a defined monetary poverty threshold
MoU	Memorandum of Understanding; a formal agreement describing the intentions and areas of cooperation between parties
Narrow labour force	Working-age adults who are employed or unemployed and actively seeking work

Term	Definition
Narrow unemployment	The official unemployment measure based on people who are without work, available for work and actively seeking employment
Neonatal mortality	Deaths among newborn babies during the first 28 days of life
Net emigration	The number of people leaving a country or population group minus those entering it
Net employment gains	The increase in employment after both jobs created and jobs lost are taken into account
Net migration	The number of people moving into an area minus the number moving out
Nominal	A value measured using prices prevailing at the time, without adjusting for inflation
Non-communicable diseases (NCDs)	Diseases that are generally not transmitted between people and often develop over a long period, such as diabetes, heart disease and some cancers
One Health approach	An integrated approach that coordinates different sectors and disciplines to address interconnected health and wellbeing challenges
Opportunity cost of childbearing	The economic or other opportunities that may be forgone when having and raising children
PAYE (Pay-As-You-Earn)	A payroll tax system in which employers deduct income tax from employees' earnings and submit it to the tax authority
Poverty line	A defined monetary threshold used to identify whether people have sufficient resources to meet specified basic needs
Poverty rate	The proportion of a population living below a particular poverty line
Pre-exposure prophylaxis (PrEP)	Medication taken by people who are HIV-negative to reduce their risk of acquiring HIV
Quantile regression	A statistical method used to examine relationships at different points of a distribution, such as different levels of wages
Real terms	Economic values adjusted for inflation so that changes in actual output or purchasing power can be assessed
Registered employment	Employment recorded through formal administrative systems such as tax or payroll records
Renewable energy	Energy generated from sources that naturally replenish, such as sunlight and wind
Replacement-level fertility	The fertility level required, over the long term, for a population to replace itself without migration
Reproductive autonomy	The ability of individuals, particularly women, to make informed decisions about whether and when to have children
Rooftop solar PV	Solar photovoltaic systems installed on building rooftops to generate electricity
Schooling gap	The difference between expected years of schooling and mean years of schooling
Skills-biased technological change	Technological change that increases demand for workers with higher or specialised skills while reducing demand for some routine or lower-skilled work
Spatial disparities	Differences in socioeconomic or demographic outcomes between geographic areas
Spatial exclusion	A situation in which the location or spatial separation of people limits their access to jobs, services or opportunities
Spatial fragmentation	The separation of residential areas, economic activity and services across urban space
Spatial inequality	Differences in living conditions, opportunities or economic outcomes between geographic areas

Term	Definition
Spatial integration	Improving connections between different areas so that people can access employment, services, housing and opportunities more easily
Statistical Business Register	A structured database of businesses used to support the production of economic and employment statistics
Structural Vector Autoregression (SVAR)	An econometric model used to analyse relationships and shocks among economic variables over time
Total fertility rate (TFR)	The average number of children a woman would have over her lifetime if current age-specific fertility rates continued
Tourism source market	A country or geographic market from which tourists originate
Transmission congestion curtailment	Reducing or limiting electricity generation when transmission-network capacity is insufficient to carry all available power
Under-five mortality	Deaths among children before they reach five years of age
Upper-Bound Poverty Line (UBPL)	A poverty threshold covering minimum food requirements plus essential non-food needs such as clothing, shelter, healthcare and transport
Urban immobility	A situation where spatial separation between homes and economic centres makes it difficult for people to access jobs and opportunities
VECM (Vector Error Correction Model)	An econometric model used to analyse both short-run changes and long-run relationships between economic variables
Wage distribution	The way wages are spread across workers at different income levels
Wheeling	The use of an electricity network to transport electricity from a generator to a customer, often under a private or contractual arrangement
Youth dependency	The pressure created by a relatively large population of children and young people who are not yet of working age

1

THE GLOBAL AND NATIONAL ECONOMIC CONTEXT

The global and national economic environment remains shaped by interconnected forces that influence growth, investment, employment and public finances. Trade tensions, geopolitical uncertainty, energy costs, technological change and climate-related disruptions continue to affect economic decision-making across countries. For South Africa, these developments interact with long-standing domestic constraints, including infrastructure weaknesses, high unemployment, uneven service delivery and limited fiscal space.

At the same time, reform momentum, private-sector innovation and opportunities in agriculture, energy, finance and regional trade offer a foundation for improvement. This chapter considers the major global and domestic developments shaping the economic outlook and identifies the policy choices required to support more resilient, inclusive and sustainable growth.



THE GLOBAL AND NATIONAL ECONOMIC CONTEXT

Global Economic Outlook is Mixed

Expected GDP growth



GLOBAL

	2025	2026	2027
GLOBAL	3.5%	3.1%	3.4%
USA	2.3%	2.3%	2.3%
EU	1.2%	1.1%	1.2%
CN	5.0%	4.5%	4.0%

South African economy deteriorated over the past three decades (1996 – 2025)

Cumulative GDP growth

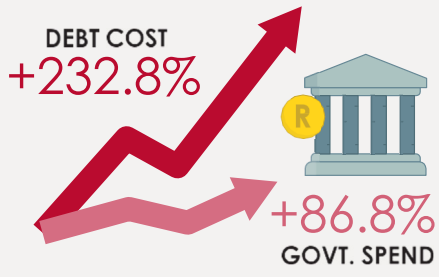
1996 – 2005 40.4%
fastest growing sector: transport (86.0%)

2006 – 2015 29.0%
fastest growing sector: construction (68.9%)

2016 – 2025 7.0%
fastest growing sector: agriculture **(36.5%)**

Rising debt-service costs squeeze service delivery

2016 – 2025



Debt-service costs increased rapidly by 232.8% vs government total expenditure of 86.8%.



Debt-service costs as a share of government expenditure increased from 10.8% in 2016 to 18.1% in 2025.



Cumulative real government spending per capita, excluding debt-service costs, declined by 6.9%.

Share of Total Imports and Exports

Top SA Imports (2025)



China: 22.4%
India: 7.3%
Germany: 6.9%

Top SA Exports (2025)



China: 10.7%
Germany: 7.9%
United States: 7.1%

Electricity Supply Recovered, But Cost Pressures Erode Competitiveness

2016/17 – 2025/26
Electricity prices **increased on average by 6.0 percentage points**
more than headline inflation

ESKOM
OTHER

2016 – 2025
Eskom generated electricity **declined by 14.4%**

Share of alternative electricity producers **increased from 7.6% in 2016 to 13.4% in 2025**

2008 – 2022
Net carbon equivalent emissions **declined by 16.0%**

1.1 The global economic overview

Global economic momentum is holding up, but it is clearly not on a firm footing. Trade tensions, shifting tariff regimes, and persistent policy uncertainty are shaping decisions by firms and households, often encouraging short-term reactions instead of long-term investment. Financial markets, for now, remain resilient and supportive, yet this resilience sits alongside elevated risks from geopolitics, fiscal fragilities, and possible reversals in global risk appetite. In this environment, confidence-building policies and credible reforms matter more than ever to anchor expectations and support durable, broad-based growth.



The United States (US) outlook is shaped by the interaction of fiscal, macro, structural, and geopolitical forces that keep growth moderate and risks elevated. Large and persistent federal budget deficits and high public debt underpin concerns about a "dangerous" fiscal path, higher term premiums and potential crowding-out of private investment (Congressional Budget Office [CBO], 2026). At the same time, sticky services inflation, tariff and energy-price pass-through constrain the scope for rapid disinflation and substantial monetary easing (Vanguard, 2026; EY, 2026b).

Robust artificial intelligence (AI)-related investment provides an important growth offset, but is concentrated in a narrow set of firms and sectors (Deloitte, 2026). Geopolitical tensions and Middle East energy shocks add further uncertainty to inflation and financial conditions, while household consumption remains resilient yet increasingly dependent on credit and wealth effects, which may heighten vulnerability to financial or policy shocks (J.P. Morgan Asset Management, 2026; EY, 2026b). The US economy is expected to expand by 2.3 per cent in 2026 and by 2.3 per cent in 2027.



The United Kingdom's (UK) outlook is shaped by interacting labour, fiscal, energy, investment and financial pressures. A cooling labour market and weaker wage growth are dampening household spending and confidence (KPMG, 2025; ICAEW, 2026). Fiscal drag from frozen income tax and National Insurance Contribution thresholds[1] is quietly eroding real disposable incomes (OBR, 2026).

Energy-price shocks linked to conflict in the Middle East have renewed inflation pressures, with the UK particularly exposed via gas-linked electricity prices (KPMG, 2026). Business investment outside green energy and AI-related data infrastructure remains subdued, risking a concentrated rather than broad-based recovery (KPMG, 2025). Although inflation is easing and interest rates are being cut, borrowing costs are expected to stay relatively high without stronger fiscal credibility (EY, 2026a). The UK economy is expected to grow by 1.3 per cent in 2026, and by 1.2 per cent in 2027.

Table 1.1 The global economic outlook, 2025 – 2027

Region/country	GDP share in	2025	2026(f)	2027(f)
World Output	**100.0**	**3.5**	**3.1**	**3.4**
Advanced Economies	**39.4**	**2.0**	**2.1**	**1.8**
US	14.6	2.3	2.3	2.3
European Union	**14.0**	**1.2**	**1.1**	**1.2**
Germany	2.9	0.2	1.3	1.1
France	2.2	0.9	0.4	0.7
Japan	2.2	1.2	0.7	0.7
United Kingdom	2.2	1.2	1.3	1.2
Emerging Market and Developing Economies	**60.6**	**4.5**	**3.7**	**4.4**
China	19.6	5.0	4.5	4.0
India	8.2	7.8	7.0	7.0
Russia	3.4	1.0	0.9	0.9
Brazil	2.4	2.3	2.2	1.9
Mexico	1.6	0.5	1.5	1.8
Sub-Saharan Africa	**3.6**	**4.5**	**4.5**	**4.5**
Nigeria	1.1	4.0	4.2	4.3

Source: IMF (2026f)

[1] The freezing of income-tax and National Insurance thresholds increases the effective tax burden as nominal earnings rise, thereby constraining growth in real household disposable income.



Germany's economic outlook has been shaped by energy-price pressures, weak external demand, structural constraints and demographic change, although fiscal policy is becoming more supportive. Elevated energy costs and renewed energy-driven inflation have constrained real household incomes and corporate margins, weakening domestic demand and contributing to subdued growth (European Commission, 2026a). Export performance has also been affected by rising trade protection, uncertainty and intensifying competition from China in key markets, compounding structural pressures on manufacturing industries such as motor vehicles, chemicals and machinery (Organisation for Economic Co-operation and Development [OECD], 2025b).

These cyclical headwinds interact with longer-standing structural challenges, including weak productivity growth, high regulatory and administrative burdens, slow digitalisation and insufficient private and public investment in innovation, infrastructure, and the green transition (OECD, 2025a, 2025b; International Monetary Fund [IMF], 2026a). Demographic ageing and associated shortages of skilled labour further constrain potential output, as retirements are expected to reduce labour supply unless offset by stronger immigration, labour-force participation, and productivity growth (OECD, 2025a).

Fiscal policy is shifting towards a more expansionary stance, with higher public investment and defence expenditure expected to support activity. However, this will widen fiscal deficits and raise public debt, reinforcing the importance of directing expenditure towards measures with durable productivity and growth benefits (IMF, 2026a; European Commission, 2026a). The German economy is expected to grow by 1.3 per cent in 2026 and by 1.1 per cent in 2027.



The Netherlands' economic prospects are shaped by a mix of cyclical resilience and structural constraints. Elevated energy prices have pushed inflation above the euro area average, eroding real household incomes and weighing on competitiveness, even as inflation gradually moderates (European Commission, 2026a). Weak private investment reflects both global uncertainty and domestic bottlenecks, notably electricity grid congestion and nitrogen-related permitting rules, which delay projects and cap expansion in energy-intensive and construction-related activities (ING, 2025; OECD, 2025c).

Balancing green ambition and industrial edge: how high energy costs shape Germany's manufacturing competitiveness

Germany remains an export- and manufacturing-oriented economy, but its traditional strengths are under increasing pressure from elevated energy costs. Energy-intensive branches, including chemicals, metals, machinery and automotive production, depend on reliable and competitively priced electricity and gas; higher energy costs therefore raise production expenses and compress profit margins (OECD, 2025b). In 2025, price-adjusted real GDP grew by only 0.2 per cent, while exports declined and investment in machinery and equipment remained weak, underlining the economy's constrained performance (Federal Statistical Office [Destatis], 2026a).

There is a clear relationship between energy costs and manufacturing competitiveness. Persistently high electricity and gas prices can reduce the relative cost competitiveness of German producers against firms located in lower-cost energy markets, particularly in North America and parts of Asia. This is most consequential for energy-intensive activities, where energy represents a large share of total input costs. High energy prices may consequently deter domestic investment, reduce capacity utilisation, encourage the relocation of production, and weaken the longer-run industrial base (OECD, 2025b).

Germany's energy transition adds an important dimension to this assessment. Wind and solar generation can reduce wholesale electricity prices through the merit-order effect, by displacing higher-cost conventional generators. Kolb et al. (2020) estimate that renewable generation reduced German spot-market electricity prices by between 2.89 and 8.89 euro cents per kilowatt-hour over 2014 – 2018. However, wholesale-price benefits do not automatically translate fully into lower end-user prices, which also reflect grid charges, taxes, levies and other regulated cost components (Kolb et al., 2020; Bundesnetzagentur, 2025).

Although the renewable-energy surcharge (EEG surcharge) was abolished in 2022, household and business electricity bills continue to be affected by network costs and taxes. In the first half of 2025, Germany recorded the highest household electricity price in the European Union, at 38.35 euro cents per kWh; taxes and levies accounted for 27.6 per cent of the average EU household electricity bill (Eurostat, 2025). Germany's average household electricity price was approximately 40.1 euro cents per kWh in April 2025, despite a year-on-year decline (Bundesnetzagentur, 2025). Energy affordability therefore remains central to restoring growth and sustaining industrial competitiveness, reflecting both international energy-price exposure and domestic decisions regarding energy-system financing and grid investment.

Export growth has softened under the combined influence of US tariffs, modest global demand, and pressure from relatively high wage and energy costs, limiting the traditional trade-driven engine of growth (ING, 2025; OECD, 2025c). As a result, household and government consumption have become the main drivers of activity, with rising real wages and public spending supporting output, but precautionary saving and low confidence tempering the contribution from households (Rabobank, 2026; European Commission, 2026b).

At the same time, higher public investment and spending on defence, the green transition and housing are expected to bolster medium-term capacity and resilience, though they also widen fiscal deficits and gradually increase public debt, underscoring the need to maintain strong public finances while reallocating spending towards productivity-enhancing uses (OECD, 2025c; European Commission, 2026b). The Netherlands' GDP is expected to expand by 1.5 per cent in 2026 and 1.3 per cent in 2027.



China's economic outlook is shaped by interlinked domestic and external headwinds. A deep, prolonged property downturn erodes household wealth and strains local public finances (S&P Global Ratings, 2026; World Bank, 2026d). Weak consumption, reinforced by precautionary saving and limited social protection, constrains rebalancing towards a demand-led growth model (World Bank, 2025c, 2026d).

High public and corporate debt narrows policy space and amplifies property-sector risks (IMF, 2026b). Persistent trade tensions and geoeconomic fragmentation, especially with the US, weigh on exports and investment (IMF, 2026b; OECD, 2025d). Finally, rapid ageing and slower productivity growth reduce medium-term potential growth (European Central Bank, 2024; IMF, 2026b). The Chinese economy is expected to expand by 4.5 per cent in 2026 and 4.0 per cent in 2027.



Namibia's economic prospects are shaped by significant fiscal, structural and external vulnerabilities. Elevated public debt, financing pressures and volatile Southern African Customs Union (SACU) receipts constrain the scope for sustained public investment and require continued fiscal prudence to protect debt sustainability (IMF, 2026d).

The economy also remains vulnerable to sector-specific and climate-related shocks. In 2025, weaker diamond mining, livestock farming and manufacturing contributed to a slowing of growth, while drought-related herd depletion materially reduced agricultural output. Reliance on a narrow range of mineral and primary sectors leaves output and export earnings exposed to commodity-price movements, global demand conditions and recurrent droughts (Bank of Namibia, 2025).

Persistently high unemployment and limited diversification beyond capital-intensive resource activities continue to constrain inclusive, job-rich growth. Namibia's productive structure has relatively low economic complexity, and the limited overlap between existing capabilities and potential new industries makes diversification more difficult. Addressing skills shortages, infrastructure constraints, institutional weaknesses and barriers to private investment will be necessary to strengthen productivity and enable structural transformation (Growth Lab, 2025; Namibia National Planning Commission, 2023). Namibia's economy is projected to grow by 2.0 per cent in 2026 and 2.7 per cent in 2027.



Botswana's economy is highly dependent on diamonds and, more broadly, exposed to external demand conditions. Diamonds account for roughly 80 per cent of merchandise exports, leaving growth, export receipts and government revenues highly sensitive to fluctuations in global diamond demand and production. The recent downturn in the diamond sector has weakened economic activity and highlighted the need to diversify the export base and sources of growth (World Bank, 2026c; IMF, 2025b).

These external pressures have contributed to significant macro-fiscal strain. Botswana's fiscal buffers have been substantially depleted following several years of weak diamond revenues, while public debt rose from about 22 per cent of GDP in 2023 to nearly 40 per cent in 2025. The IMF projected a fiscal deficit exceeding 8 per cent of GDP in 2025, indicating reduced space for counter-cyclical fiscal support and productive public investment without stronger revenue mobilisation and spending restraint (World Bank, 2026c; IMF, 2025b).

Underlying these cyclical challenges are persistent structural constraints. Employment remains concentrated in relatively low-productivity activities, and unemployment was estimated at 27.6 per cent, reflecting limited private-sector opportunities, skills mismatches and high inequality. Strengthening human capital, improving access to infrastructure and finance, reducing barriers to business activity, and supporting a more dynamic private sector are therefore central to achieving diversified, jobs-intensive and inclusive growth (World Bank, 2026c). After contracting by 0.9 per cent in 2025, Botswana is expected to rebound cyclically, growing by 4.4 per cent in 2026 and by 2.2 per cent in 2027.



The United Arab Emirates' (UAE) outlook is shaped by a brief, conflict-related growth dip, strong non-oil momentum, and an expansionary, strategy-driven fiscal stance. Real gross domestic product growth is expected to slow in 2026 as regional war and disruptions around the Strait of Hormuz affect energy exports and trade, then rebound to above 5 per cent in 2027 as these shocks fade (IMF, 2026c; World Bank, 2026b).

At the same time, diversified non-oil sectors (finance, logistics and trade, manufacturing, construction, tourism and real estate) are now the main drivers of activity,

keeping growth comparatively robust (Central Bank of the UAE, 2026; World Bank, 2026b).

Underpinning this is a record federal budget for 2026, which significantly raises revenue and spending, introduces new tax measures and channels investment into social services, infrastructure and technology in line with the "We the UAE 2031" vision, thereby supporting medium-term growth while reinforcing fiscal buffers (Oxford Economics, 2025; UAE Ministry of Finance, 2025). The UAE's economy is expected to expand by 3.1 per cent in 2026, and 5.3 per cent in 2027.

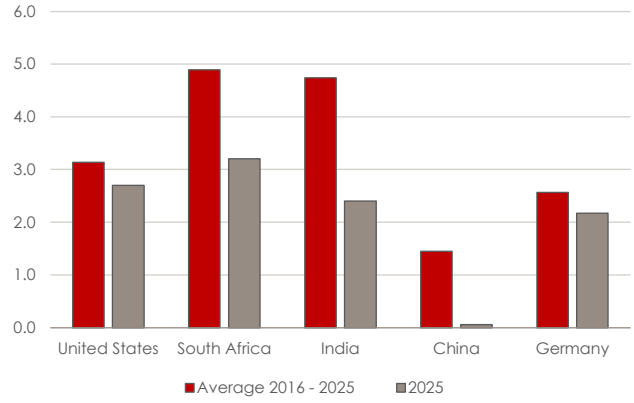
Key inflation risks for 2026

Global disinflation has stalled in 2026 rather than continuing uninterrupted. The IMF (2026e) projects world consumer-price inflation to rise from 4.1 per cent in 2025 to 4.7 per cent in 2026, before easing back to 4.1 per cent in 2027. Inflation in advanced economies is projected to increase from 2.5 per cent in 2025 to 3.0 per cent in 2026, then ease to 2.4 per cent in 2027; US inflation is expected only gradually to return to target (IMF, 2026e).

The interruption reflects the Middle East conflict and disruption to energy markets, with higher oil, gas and food prices feeding into headline inflation and weakening household purchasing power. The IMF's baseline assumes that traffic through the Strait of Hormuz progressively normalises by March 2027; under this assumption, global disinflation resumes next year (IMF, 2026e).

However, this outlook remains vulnerable to a renewed escalation of conflict, further commodity-price volatility, trade fragmentation and adverse financial-market repricing. These shocks could raise inflation expectations and tighten financial conditions, complicating monetary-policy decisions and delaying interest-rate reductions (IMF, 2026e).

Figure 1.1 Average inflation rates for selected countries, 2016 – 2025



Source: International Monetary Fund

Inflation in 2025 was lower than the 2016 – 2025 average for all countries, indicating a broadly softer inflation environment. China, like South Africa and India, has experienced a substantial drop in inflation and recorded only about 0.1 per cent in 2025, raising concerns about possible price deflation and weak domestic demand.

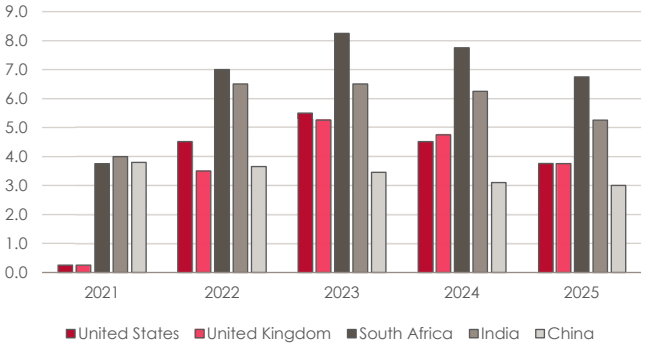
By contrast, Germany and the US show relatively stable inflation, with 2025 rates only modestly below their average inflation over the past decade, indicating no major change in their underlying price dynamics.

Over the past decade, global inflation peaked during 2021 and 2022, largely reflecting supply-side disruptions and bottlenecks linked to COVID-19 lockdowns and their aftermath, rather than a typical demand-driven boom.

Monetary policy rates

Over the past five years, the monetary policy paths of the US, UK, South Africa, India and China diverged markedly.

Figure 1.2 Average monetary policy rates for selected countries, 2021 – 2025



Source: FocusEconomics

The US, UK, South Africa, and India tightened sharply to contain inflation and have since eased to varying degrees; China instead followed a mainly gradual easing path to support weak growth and the property sector.

Between 2021 and 2025, monetary policy in the US, UK, South Africa, and India shifted decisively from pandemic-era accommodation to tighter settings as central banks responded to elevated inflation. The US and UK recorded the sharpest reversals from near-zero interest rates, while South Africa maintained the highest average policy-rate level among the countries considered during 2023 - 2025.

India's tightening cycle was more moderate, followed by a prolonged period of policy-rate stability before easing began in 2025.

China was the notable exception. Rather than tightening policy, it progressively reduced its one-year Loan Prime Rate to support weaker domestic demand and credit conditions. By 2025, the broader international trend had moved towards cautious monetary easing, although policy rates generally remained well above their 2021 levels in the US, UK, South Africa, and India.

Monetary policy outlook

The scope for further global monetary-policy easing is likely to remain limited and uneven. While inflation has declined from its post-pandemic highs, renewed energy-price pressures, trade disruptions and geopolitical risks could keep headline inflation elevated and require central banks to proceed cautiously. The IMF (2026e) projects global headline inflation to increase in 2026 before moderating in 2027.

Accordingly, the US, UK and South Africa are likely to maintain relatively restrictive policy settings until inflation risks recede more decisively. India may retain some room for measured easing if inflation remains contained, whereas China is likely to continue relying on accommodative policy to support domestic demand. The outlook remains particularly sensitive to energy prices, exchange-rate movements and the persistence of core inflation (Bank of England, 2026; Board of Governors of the Federal Reserve System, 2026; IMF, 2026e).

1.1.1 Policies towards improved economic wellbeing

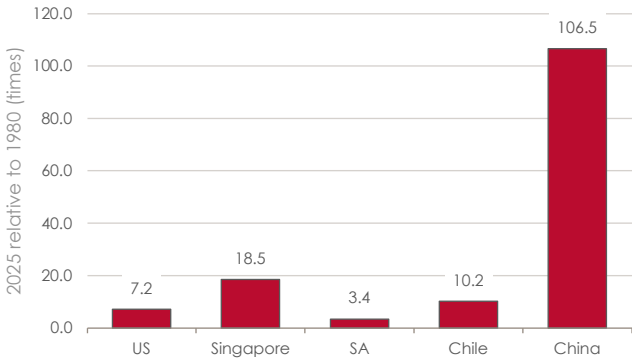
This section looks at how economic policies affect economic wellbeing, using GDP per capita as the main yardstick. It considers the ways fiscal, monetary, and trade policies influence income levels, productivity, and living standards in different countries. By tracing these effects, the discussion identifies which policy approaches support durable growth and which tend to widen gaps, providing guidance on how policy can better promote broad-based economic prosperity.

China stands out as a striking example of economic transformation, having lifted its GDP per capita in current international dollars dramatically over the past 45 years and moved from low-income status to a significantly more prosperous economy.

In 2025, China's GDP per capita was 106.5 times higher than in 1980, underscoring an extraordinary rise in economic prosperity. Even standout performers such as Singapore (18.5 times higher) and Chile (10.2 times higher) are overshadowed by the sheer scale of China's transformation over this period.

By contrast, South Africa's GDP per capita in 2025 was only 3.4 times higher than in 1980, while that of the world's largest economy, the US, was about 7.2 times higher, underscoring South Africa's comparatively limited improvement in overall economic prosperity over this period. These multiples are in current international dollars, so they are not directly comparable with the constant-price growth rates in Figure 1.5, although the cross-country rankings still hold.

Figure 1.3 Gross Domestic Product per capita of selected countries, 2025 relative to 1980 (times), current international dollars (PPP)



Source: International Monetary Fund

To put China's phenomenal rise into better perspective: in 1980 its GDP per capita was just 275 International dollars, around 18 times lower than South Africa's and 46 times lower than that of the US at the time.

China's rise in GDP per capita since 1980 reflects a long-running combination of market-oriented reforms and strategic state action: gradual "reform and opening-up," export-led industrialisation and WTO-anchored trade integration, massive infrastructure and urbanisation, targeted industrial and technology upgrading, and disciplined macro-financial management that sustained high savings and investment while expanding social spending.

China's economy is distinctive because it operates a hybrid model in which markets drive much economic activity, while the state retains substantial influence over strategically important sectors through regulation, state ownership, and macroeconomic policy (Centre for Financial Accountability, 2019). This institutional arrangement gives the government greater direct influence over investment patterns and industrial structure than is typical in liberal market economies.

China also combines exceptionally high saving and investment rates with a relatively low labour share of income, enabling rapid capital accumulation and large-scale infrastructure investment, in contrast to more consumption-led growth models in many advanced economies (Dollar & Jones, 2013).

In addition, China's growth has long been associated with a capital-intensive, industry-heavy and export-oriented development model, although its economic structure has increasingly shifted towards services and domestic consumption in more recent years.

This is embedded in a system of "decentralised authoritarianism," where local governments enjoy substantial autonomy but are strongly incentivised to compete for investment and deliver high growth, creating a rare mix of top-down political control and bottom-up economic rivalry (Cenfa, 2019).

Finally, tight management of the currency, banking system and capital flows, rather than a fully liberalised financial regime, allows authorities to engineer exchange-rate and credit conditions to support export competitiveness and financial stability in ways that are uncommon in open, market-driven financial systems (Knight, 2014).

Rwanda's ascent: Unleashing a decade of economic dynamism



Over the past decade, Rwanda has emerged as one of Africa's fastest-growing economies, driven by robust private consumption, strong investment and solid performances in services, industry and a recovering agriculture sector. This momentum reflects a deliberate reform strategy rather than good luck.

Rwanda has pursued a more business-friendly regulatory environment through measures to streamline regulations and improve access to business information. Historically, these reforms were reflected in the World Bank's *Doing Business 2020* assessment, which ranked Rwanda 38th globally and second in Africa; Rwanda ranked 32nd globally on enforcing contracts, following reforms including a small-claims procedure and lower court fees (World Bank, 2020; Rwanda Development Board, 2019).

Agriculture remains central to Rwanda's growth and poverty-reduction agenda. The sector employed 43 per cent of the workforce, contributed 27 per cent of GDP, and generated 36 per cent of export revenues in 2024. Rwanda's current agricultural transformation agenda focuses on modernising production, improving market access, expanding value addition and agro-logistics, and strengthening private investment in agri-food value chains to improve food security and rural livelihoods (World Bank, 2025b).

Rwanda is increasingly positioning itself as a regional hub for services, eco-tourism and business events. Government policy has supported high-value tourism, conference and exhibition facilities, and destination marketing through the *Visit Rwanda* brand.

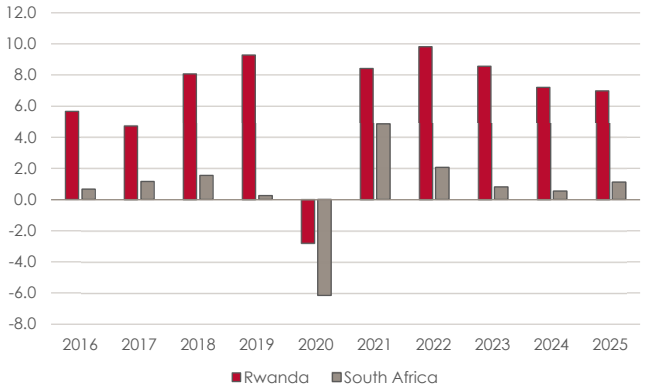
These initiatives aim to increase tourism and meetings, incentives, conferences and exhibitions (MICE) activity, create employment and broaden Rwanda's economic base beyond subsistence agriculture (Ministry of Finance and Economic Planning [MINECOFIN], 2024; United Nations Development Programme [UNDP], 2026b).

Rwanda's sectoral progress is supported by efforts to strengthen public finances and improve the use of state resources. Expanding domestic revenue collection and improving spending efficiency are intended to create fiscal space for infrastructure, social services and other development priorities, while supporting debt sustainability (IMF, 2023; World Bank, 2026a).

This agenda is guided by *Vision 2050* and the National Strategy for Transformation 2024 - 2029 (NST2). Together, these frameworks promote export diversification, private-sector development, structural transformation and investments in skills and human capital. It provides a long-term policy direction aimed at making growth more productive, inclusive and resilient, rather than dependent solely on short-term economic conditions (MINECOFIN, 2020, 2024; UNDP, 2026a, 2026b).

Rwanda's economy has expanded strongly over the past decade, with real GDP growth averaging 6.6 per cent per year. Over the same period, South Africa's real GDP increased by only 0.7 per cent per annum.

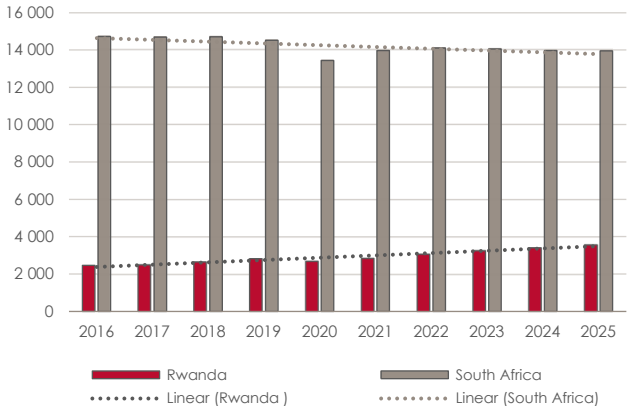
Figure 1.4 Growth in Gross Domestic Product, 2016 - 2025



Source: International Monetary Fund

Although Rwanda's GDP per capita remains much lower than South Africa's, at roughly one quarter of South Africa's level, its performance over the past decade has been markedly stronger. Rwanda's GDP per capita in international dollars increased by 45.1 per cent over this period, while South Africa's GDP per capita declined by 5.2 per cent, highlighting the extent of Rwanda's catch-up despite its lower income base.

Figure 1.5 Growth in Gross Domestic Product per capita of Rwanda and South Africa in international dollars, 2016 - 2025



Source: International Monetary Fund

1.2 The South African economy

1.2.1 Performance of the national economy over three decades

The slow unravelling of South Africa's growth engine

Over the past three decades, South Africa's economic growth has steadily lost momentum, despite ambitious policy blueprints and bold promises of transformation. From the stabilising reforms of the late 1990s, through the expansionary, redistribution-focused strategies of the 2000s, to the crisis-ridden, low-growth 2016–2025 period, policy choices have powerfully shaped the country's economic trajectory.

Between 1996 and 2005, real GDP expanded by a cumulative 40.4 per cent, slowing to 29.0 per cent between 2006 and 2015, and collapsing to just 7.0 per cent between 2016 and 2025[2]. This overview traces how evolving policy frameworks and shifting sector dynamics have jointly contributed to the persistent slowdown in growth.

Stabilisation, opening up, and a brief growth renaissance (1996 - 2005)

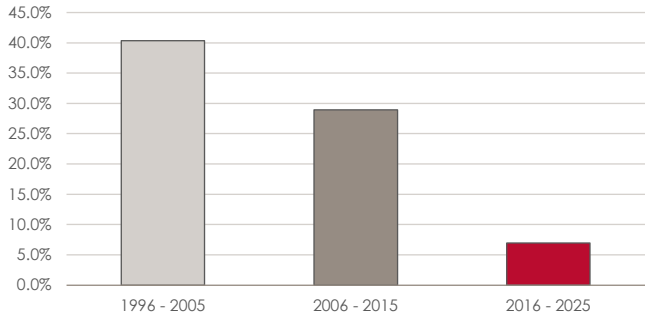
Between 1996 and 2005, South Africa's economy grew by 40.4 per cent in total, underpinned by broad-based gains across most major sectors. During the period the transport sector recorded the fastest growth (86.0 per cent), driven less by trucks and trains and more by a communications revolution, as millions of South Africans bought their first mobile phones, SMS became a daily habit, and businesses moved from faxes and landlines to email and the internet as standard tools of trade.

South Africa's macroeconomic strategy during the late 1990s was shaped by the Growth, Employment and Redistribution (GEAR) framework. GEAR emphasised fiscal discipline, deficit reduction, trade liberalisation, public-sector restructuring and a more market-oriented policy environment, with the aim of improving macroeconomic credibility and encouraging investment (Department of Finance, 1996).

Macroeconomic stabilisation was reinforced when South Africa formally adopted inflation targeting in February 2000. The initial framework set a target range of 3 to 6 per cent for inflation, strengthening the South African Reserve Bank's focus on price stability (South African Reserve Bank, 2000).

Trade liberalisation and financial-sector reforms supported greater integration with global markets, while legislation such as the Labour Relations Act and Employment Equity Act established a new labour-market framework. Land reform and early black economic empowerment initiatives also began to address apartheid-era patterns of ownership and exclusion (Republic of South Africa, 1995, 1998).

Figure 1.6 Comparison of three decades of cumulative GDP growth in South Africa, 1996 – 2025



Source: Quantec, Own calculations

Activist state, rising redistribution, and slowing momentum (2006 - 2015)

From 2006 to 2015, cumulative GDP growth slowed to 29.0 per cent as South Africa pivoted towards a more activist, state-led development model layered onto a rapidly expanding redistributive state.

The National Development Plan (NDP) 2030 set out an ambitious agenda for faster, more inclusive and employment-intensive growth by addressing binding constraints such as electricity and water supply, skills shortages, business registration, planning approvals and mining licensing. However, implementation was uneven, and persistent weaknesses in infrastructure delivery, state capability and regulation constrained progress (National Planning Commission, 2012).

Over the period, construction was the fastest-growing sector, expanding by 68.9 per cent, while mining contracted by 3.5 per cent and utilities by 1.6 per cent. Construction benefitted from the pre-2010 infrastructure drive, which included World Cup-related stadium, airport, and road projects, alongside Eskom's large electricity-generation expansion programme. Low interest rates and stronger household incomes also supported residential and commercial building activity.

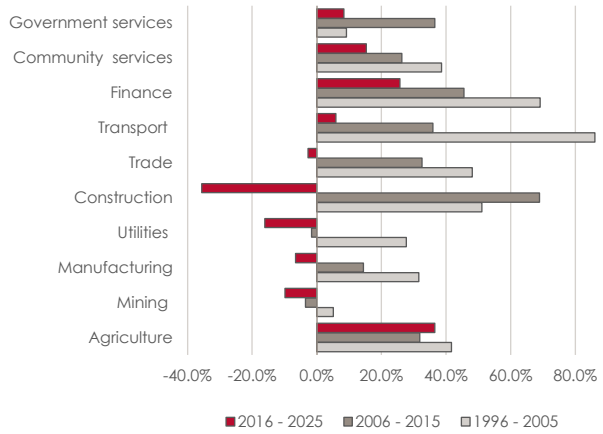
Broad-based black economic empowerment (B-BBEE) policy and sector-specific charters increasingly embedded ownership, procurement, management-control and supplier-development requirements in major industries (Republic of South Africa, 2013).

At the same time, rapid growth in social assistance and compensation spending increased pressure on the public finances. Large public-enterprise infrastructure programmes, particularly at Eskom and Transnet, were intended to relieve supply constraints, but project delays, cost overruns, weak planning and governance shortcomings undermined their contribution and

[2] See Annexure A for the growth-rate formulas used in this chapter.

contributed to later infrastructure bottlenecks (National Treasury, 2012; National Planning Commission, 2020; Department of Planning, Monitoring and Evaluation, 2013).

Figure 1.7 Comparison of three decades of cumulative GDP growth in South Africa by sector, 1996 - 2025

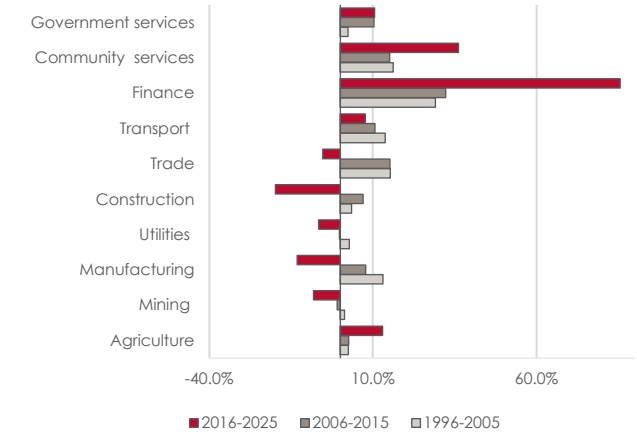


Source: Quantec, Own calculations

State capture fallout, tight fiscal space, and stalled reform (2016 - 2025)

Between 2016 and 2025, cumulative GDP growth dropped to just 7.0 per cent, and the structure of growth narrowed markedly. The finance sector emerged as the dominant engine of what little growth remained, providing the largest contribution to GDP growth (85.6 per cent), as its relative importance in the economy increased significantly over the three decades.

Figure 1.8 Comparison of three decades of cumulative GDP growth contribution in South Africa by sector, 1996 - 2025



Source: Quantec, Own calculations

By contrast, the mining (-9.8 per cent), manufacturing (-6.6 per cent), construction (-35.6 per cent), trade (-2.6 per cent) and utilities (-16.0 per cent) sectors all contracted over the period, with most shifting from positive contributors in earlier decades to outright drags on growth.

Agriculture stood out as the only sector that had maintained relatively stable performance across the three decades and had recorded a higher cumulative growth rate in the final decade than in 2006 - 2015, underscoring its resilience amid widespread weakness elsewhere.



This period was shaped by the economic and institutional consequences of state capture, subsequent efforts to rebuild governance, and a constrained programme of structural reform. Policy debates over expropriation without compensation, alongside the strengthening of B-BBEE requirements and sector-specific transformation measures, added to policy uncertainty for some investors, particularly in capital-intensive sectors (Republic of South Africa, 2019; Department of Trade, Industry and Competition [the dtic], 2019).

Post-2018 governance reforms and Operation Vulindlela, established in 2020 as a joint initiative of the Presidency and National Treasury, signalled a stronger focus on removing structural constraints in electricity, logistics, water and digital communications (National Treasury & The Presidency, 2025).

Electricity reforms were particularly significant: the licensing threshold for embedded generation was raised from 1 MW to 100 MW in 2021 and removed altogether in December 2022. Private generators were still required to register with the National Energy Regulator of South Africa (NERSA) and obtain the required grid-connection approvals, but no longer needed a full generation licence. This reduced regulatory barriers to private investment in electricity generation by mines, factories and other large users (National Treasury & The Presidency, 2022, 2025).

These reforms, together with the expansion of competitive renewable-energy procurement, were implemented amid severe load shedding and persistent rail and port constraints. Government also returned to fiscal consolidation after the temporary COVID-19 response, which included social-relief measures, wage-support interventions and a credit-guarantee scheme.

The IMF and National Treasury have highlighted that rising debt-service costs and weak growth narrowed fiscal space, increasing the importance of expenditure restraint, improved public-investment efficiency and stronger

revenue mobilisation (IMF, 2025a; National Treasury, 2020, 2025).

Despite reform progress, weak network infrastructure, slow implementation, policy uncertainty and high fiscal pressures continued to weigh on investment and growth. The climate and energy transition also required substantial investment and policy coordination, while labour-market and transformation policies remained important features of the regulatory environment (IMF, 2025a; National Treasury & The Presidency, 2025).

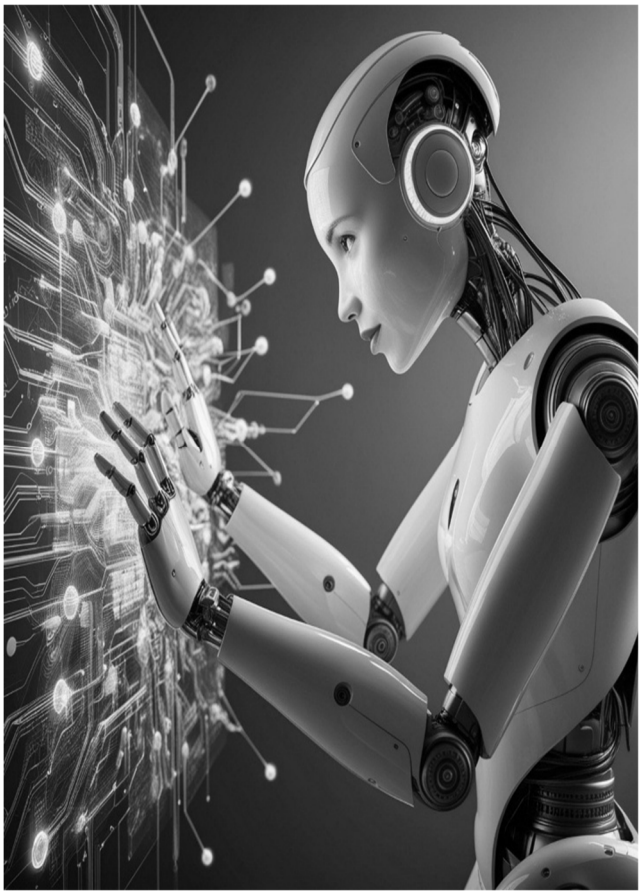
Navigating the narrow path: can South Africa escape a lost growth decade?

Over the next decade, AI, industrial robotics and other forms of capital-deepening automation are likely to reshape production, trade and competitiveness. As automated systems substitute for some routine and lower-skilled tasks, low labour costs may become a less decisive source of comparative advantage.

Competitive strength will increasingly depend on the ability to combine digital infrastructure, computing capacity, data and specialised skills. Evidence suggests that robotics can raise productivity but can also disproportionately displace lower-skilled manufacturing workers, particularly in lower-income regions (Oxford Economics, 2019; Information Technology and Innovation Foundation [ITIF], 2019; World Bank, 2025a).

Cryptocurrencies, stablecoins and tokenised assets are also testing the boundaries of the existing monetary and payments system. They have not displaced sovereign currencies, but digital-money technologies could reduce frictions in cross-border payments and broaden financial innovation. These opportunities must be balanced against risks to consumer protection, financial integrity, monetary sovereignty and financial stability, requiring coordinated and proportionate regulation (World Economic Forum, 2022).

In this context, governments may need to consider mechanisms beyond conventional tax-and-transfer systems to distribute the gains from more capital- and intellectual-property-intensive production. One potential approach is a professionally managed public investment fund that pays a modest universal dividend. Education systems will also need to place greater emphasis on AI and data literacy, critical thinking, communication, problem-solving and the ability to assess AI-generated information. Without deliberate policy and capacity-building, uneven access to AI could compound existing inequalities (World Bank, 2025a).



Dawn of the machine age: how robots and AI are rewiring the world economy

We are at the beginning of a new economic era in which robotics, artificial intelligence (AI) and automation are moving beyond specialised industrial applications into a growing range of sectors. Advances in generative AI, AI agents, robotics and increasingly autonomous industrial systems are expanding the capacity of machines to process information, support decisions and perform tasks in both digital and physical environments (Cazzaniga et al., 2024; CBO, 2024; World Economic Forum [WEF], 2026).

For national economies, including South Africa, this shift could raise productivity and support new forms of innovation. However, it also creates significant risks for job displacement, labour-market adjustment and widening income and wealth inequality if the benefits of AI accrue disproportionately to highly skilled workers and capital owners. Countries' ability to benefit will depend on their digital infrastructure, skills base, innovation capacity, labour-market institutions and regulatory readiness (Cazzaniga et al., 2024).

Over the past decade, automation has expanded beyond specialised, pre-programmed industrial machines into increasingly autonomous systems able to operate alongside people in factories, warehouses, health-care settings and service environments. Advances in machine vision, lower-cost sensors, reinforcement learning and vision-language-action models have enabled robots to navigate more variable spaces, handle a broader range of objects and adapt to changing conditions. At the same time, general-purpose AI based on large neural networks can assist with language processing, coding, analysis and decision support. Together, intelligent software and more capable hardware represent a broader form of automation than earlier fixed-task technologies, with potential to raise productivity but also to displace tasks and widen inequality if gains accrue mainly to capital owners and workers with AI-complementary skills (Cazzaniga et al., 2024; CBO, 2024; World Economic Forum [WEF], 2026a, 2026b).

One of the most closely watched issues is the impact on work. The IMF estimates that roughly 40 per cent of jobs worldwide are "exposed" to AI in the sense that a significant share of their tasks could, in principle, be automated or strongly reshaped by AI tools (Cazzaniga et al., 2024). In advanced economies, the share of exposed jobs is closer to 60 per cent, with about half likely to benefit from AI as a complement that raises productivity and wages, and the other half facing a real risk of displacement or downward pressure on earnings (Cazzaniga et al., 2024). Emerging markets and low-income countries tend to have lower exposure, around 40 per cent and 26 per cent of jobs, respectively, but often lack the digital infrastructure, skills and capital needed to use AI productively, which means they could see fewer gains and a widening income gap with richer economies (Cazzaniga et al., 2024; IMF, 2025). Unlike previous automation waves that mainly affected routine manual and clerical work, AI can now reach into non-routine cognitive and professional occupations, raising concerns about mid-skill and even high-skill job security (CBO, 2024; Executive Office of the President of the United States, 2016).

From a macroeconomic perspective, the potential upside is significant. Many advanced and emerging economies have experienced a marked slowdown in productivity growth since the early 2000s, and AI-driven automation is widely seen as a possible antidote (Cazzaniga et al., 2024; CBO, 2024). Simulation exercises suggest that generative AI and related technologies could add several percentage points to the level of GDP over coming decades, mainly by boosting total factor productivity in services, manufacturing and some public-sector functions (CBO, 2024; IMF, 2025). More optimistic scenarios argue that widespread AI adoption could leave global GDP up to 14 per cent higher by 2030, although these projections depend on strong assumptions about the speed and breadth of diffusion (PwC, 2018, 2025). Most sober assessments agree that AI is unlikely to deliver an overnight productivity miracle, but could provide a sustained, if modest, uplift to growth if accompanied by complementary investment in skills, infrastructure and organisational change (Cazzaniga et al., 2024; CBO, 2024).

Crucially, these benefits are unlikely to be evenly shared. IMF modelling indicates that advanced economies are likely to reap more than double the growth impact of low-income countries, largely because they have higher concentrations of AI-intensive sectors and stronger digital ecosystems (Cerutti et al., 2025). Within countries, AI and automation tend to favour highly skilled workers and the owners of capital, while routine workers face a greater risk of displacement, at least in the medium term (Executive Office of the President of the United States, 2016; Cazzaniga et al., 2024). Without deliberate policy measures, there is a real danger that the age of robotics and AI could deepen existing inequalities, both between and within economies, even as it lifts aggregate output.

In response, governments are increasingly treating AI and automation not just as technological trends, but as core elements of economic and industrial policy. The IMF has developed an "AI Preparedness Index" that ranks countries on digital infrastructure, human capital, innovation systems and policy frameworks, finding that high-income economies, including the United States and several European and Asian countries, are currently best placed to harness AI effectively (Cazzaniga et al., 2024). International agencies and researchers stress three broad priorities for national strategies: investing in affordable, reliable digital infrastructure; re-orienting education and training towards digital skills, data literacy and lifelong learning; and strengthening social protection and labour-market policies to cushion workers through disruption and maintain social cohesion as some occupations decline and new ones emerge (Cazzaniga et al., 2024; Executive Office of the President of the United States, 2016; IMF, 2025; International Telecommunication Union, 2018).

For South Africa and other middle-income economies, the rise of robotics, AI and automation brings clear opportunities and serious risks. AI-driven gains in logistics, manufacturing, mining, agriculture and public administration could ease long-standing productivity and service-delivery bottlenecks. At the same time, high structural unemployment, skills gaps and unequal digital access mean that poorly managed automation could deepen existing social and economic divides. The key issue is no longer whether this technology will arrive, but whether policy can channel it towards inclusive, broad-based development rather than a more unequal and polarised future.

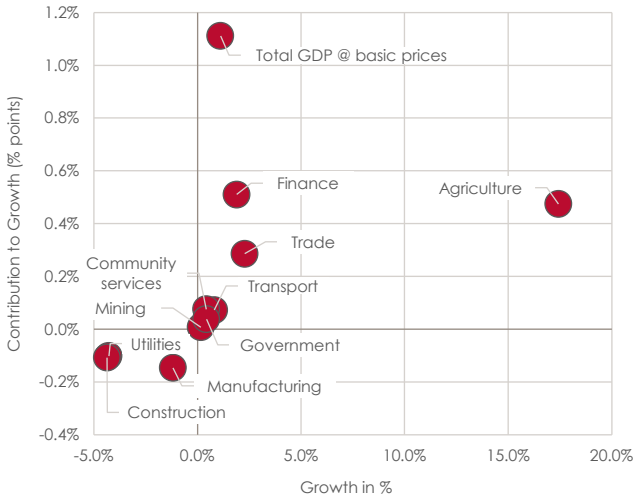
1.2.2 Performance of the South African economy in 2025

Cheaper money, stronger rand: inside South Africa's 2025 economic shift

South Africa's economy turned a modest but meaningful corner in 2025. Real GDP grew by 1.1 per cent, still a low rate by emerging-market standards, but notably stronger than the average of 0.7 per cent recorded over the past decade.

A decisive shift in monetary conditions set the tone for the year. After a long period of tight policy to contain inflation, the South African Reserve Bank was able to cut the repo rate by a cumulative 100 basis points in 2025, bringing it down to 6.75 per cent in November 2025. With inflation easing towards the new 3 per cent target band midpoint, real interest rates remained attractive to investors but also less restrictive for households and firms, lowering debt-service burdens, reviving credit appetite and gradually improving forward-looking confidence.

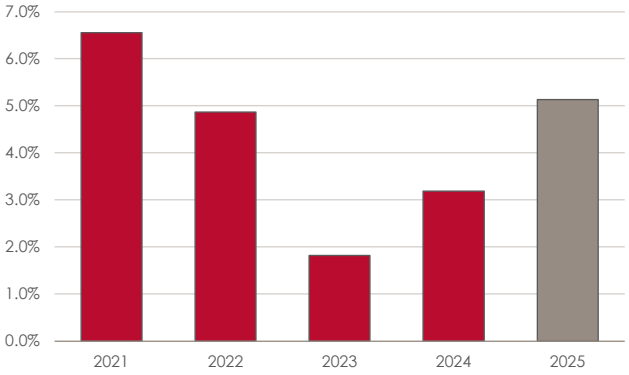
Figure 1.9 GDP growth and contribution to total growth by sector in South Africa, 2025



Source: Quantec, Own calculations

The **finance sector** emerged as one of the main engines of growth in 2025, matching agriculture's contribution to the expansion of the national economy. Lower borrowing costs, together with improved sentiment, unlocked pent-up demand for credit across households and firms, lifting loan volumes, improving asset-quality prospects and reviving capital-market activity. A cyclical upturn in the residential property market, reflected in higher transaction volumes and more confident buyers as inflation and interest rates fell, added further impetus, making finance the joint-largest contributor to GDP growth at 0.5 percentage points.

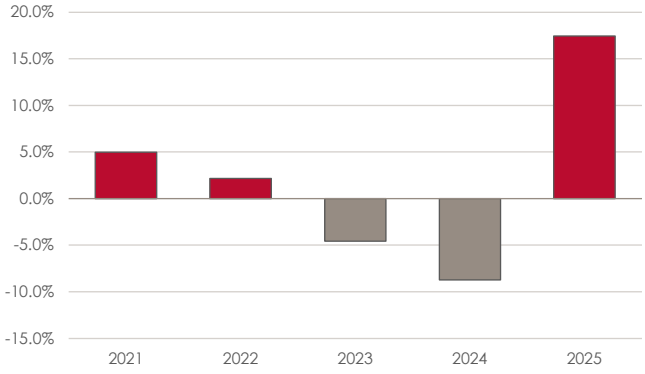
Figure 1.10 South African residential property price index annual growth (2021 - 2025)



Source: Quantec, Own calculations

The **agriculture sector** delivered an equally important, and even more striking, performance. After two consecutive recessions, the sector rebounded strongly, expanding by 17.4 per cent in 2025, the fastest growth rate of any sector in the economy and contributing 0.5 percentage points to overall GDP growth. This recovery took place despite recurring foot-and-mouth disease outbreaks and associated export disruptions in the livestock value chain, underlining the resilience and adaptability of the broader agricultural complex. In effect, the agriculture sector in 2025 was not simply riding on favourable weather and prices; it was a sector that managed to grow rapidly in the face of persistent biological and market shocks.

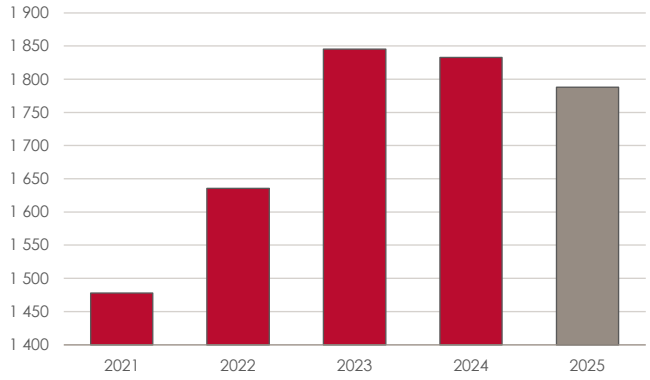
Figure 1.11 Agriculture sector annual growth of GDP at basic prices (2021 - 2025)



Source: Quantec, Own calculations

After years of pronounced depreciation, the rand staged a sustained appreciation against the US dollar from April 2025, supported by higher precious-metal prices, expectations of US rate cuts, and improved perceptions of South Africa's policy stance and reform momentum. On an annual basis, the rand was on average stronger in 2025 than in 2024, helping to lower imported inflation and allowing the South African Reserve Bank (SARB) to cut policy rates without triggering destabilising capital outflows. At the same time, a firmer currency posed a headwind to some exporters, particularly in the manufacturing sector, but the macro-level effect on inflation and sentiment was broadly positive.

Figure 1.12 Annual average cents value per USD (2021 - 2025)



Source: World Bank, Own calculations

The institutional and policy backdrop also improved. A rare sovereign credit-rating upgrade by S&P Global, South Africa's removal from the Financial Action Task Force (FATF) grey list, and visible progress on energy reforms and fiscal consolidation all contributed to a gradual rebuilding of investor confidence. These gains were reinforced by expanding private investment in renewable energy and a steady improvement in power availability, which together started to ease one of the most binding constraints on growth. Business survey data for late 2025 showed a clear, if still fragile, shift towards more optimistic assessments of current conditions and prospects.

Taken together, 2025 did not mark a dramatic growth surge, but it did represent a meaningful change in direction: from a decade of stagnation and recurring shocks towards an environment characterised by lower inflation, cheaper money, a stronger rand, higher commodity prices and renewed dynamism in the finance and agriculture sectors. The central challenge for policymakers is to turn this tentative momentum into a durable upswing by sustaining reform progress, deepening investment in energy and logistics, and broadening the recovery to labour-absorbing sectors.



1.2.3 Fiscal performance of the South African economy

Economic activity and tax collection move closely together. When the economy expands, employment, profitability and consumption increase, raising tax revenues and strengthening the state's ability to fund services and investment. Conversely, when growth slows, revenue collection weakens and fiscal space narrows. The health of the real economy therefore directly shapes fiscal outcomes, influencing debt sustainability, borrowing costs, and the quality of infrastructure and social protection.

While a resilient and well-designed tax system can mitigate some of this volatility, it cannot fully offset it. The relationship between economic performance, revenue collection and public finances remains one of the most critical linkages in economic policy.

Tax buoyancy describes how strongly tax revenue responds to economic growth, and thus how "self-financing" the tax system is as GDP expands.

South Africa's tax system has become markedly more buoyant over the past decade, with a clear shift between the first and second five-year periods from relatively weak responsiveness to GDP towards much stronger revenue growth.

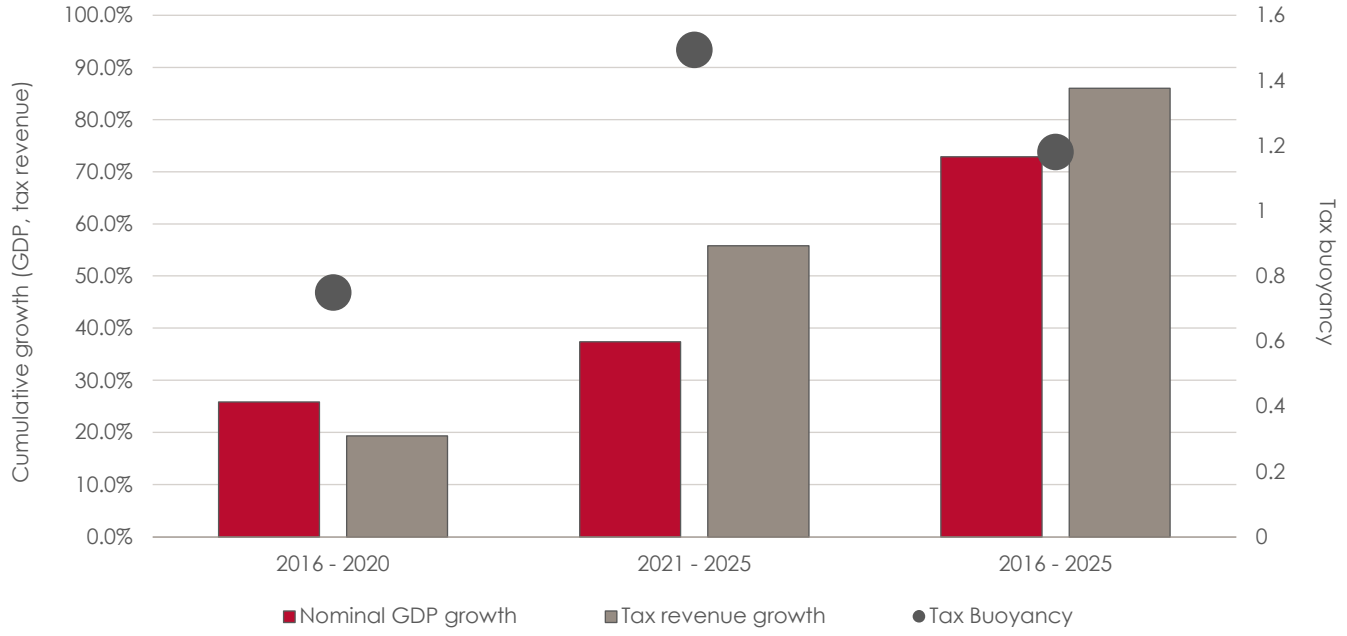
Over 2016 - 2025, cumulative nominal GDP grew by 72.9 per cent, while tax revenue increased by 86.0 per cent, implying an average tax buoyancy of 1.2 for the decade as a whole. This indicates that, on balance, tax revenue grew slightly faster than the economy, but that this aggregate masks very different dynamics across the two halves of the period.

Between 2016 and 2020, nominal GDP expanded by 25.8 per cent, while tax revenue rose by 19.4 per cent, yielding a tax buoyancy of 0.8. A buoyancy below one suggests that tax revenue was relatively unresponsive to economic growth, with the tax take lagging the expansion in nominal output. This pattern is consistent with a period characterised by weak underlying growth, tax administration constraints and the impact of the 2020 recession, which dampened automatic revenue gains.

In sharp contrast, the next five years recorded nominal GDP growth of 37.4 per cent and tax revenue growth of 55.8 per cent, producing a tax buoyancy estimate of 1.5. This estimate is partly flattered by a base effect, as revenue rebounded from the depressed 2020 level. A buoyancy well above one indicates that tax revenue grew substantially faster than GDP, reflecting stronger compliance, base broadening, policy measures and the rebound in profits and incomes following the COVID-19 shock. This suggests that the tax system became significantly more responsive to economic activity, with revenue performance outpacing the expansion of the nominal economy.

The shift from a buoyancy of 0.8 in 2016 - 2020 to 1.5 in 2021 - 2025 has important implications for fiscal planning and sustainability. In the first half of the decade, relatively subdued buoyancy limited the extent to which growth could improve the budget balance, reinforcing pressure on borrowing and debt. In the second half, stronger buoyancy improved revenue outcomes and gave National Treasury more scope to narrow the primary deficit, move into primary surplus and support debt stabilisation, even though overall fiscal pressures remain elevated.

Figure 1.13 Cumulative growth of nominal GDP and tax revenue, and tax buoyancy (2016 - 2025)

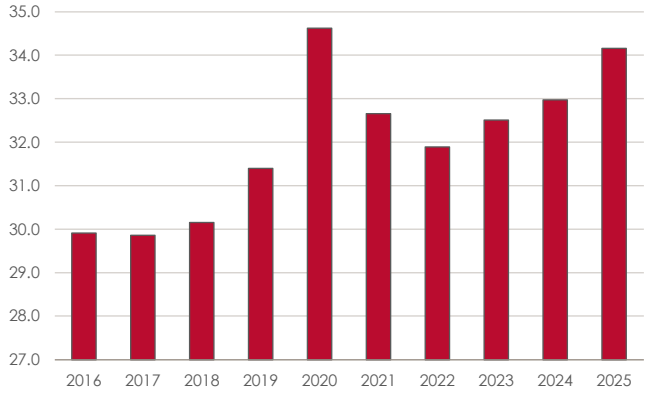


Source: Quantec, Own calculations

Government Expenditure Taking a Larger Share of the Economy

Government expenditure as a share of GDP has trended upward over the decade, rising from 29.9 per cent in 2016 to 34.2 per cent in 2025. The ratio spikes in 2020 to 34.6 per cent, reflecting the COVID-19 shock and emergency support, and although it dips slightly thereafter, it remains elevated and climbs again from 2023, signalling a structurally larger role for the state in the economy and increased pressure on fiscal sustainability.

Figure 1.14 General government expenditure as a share of GDP (2016 - 2025)



Source: International Monetary Fund

An increase in government expenditure can either support economic growth or weigh on it, depending mainly on how it is spent and how it is financed. Recent South African and international studies show that the impact is mixed rather than uniformly positive or negative.

When spending is directed towards productive areas such as education, health, infrastructure, and support for private investment, it tends to raise long-run growth by improving human capital and reducing bottlenecks in the economy (Leshoro, 2020). In these cases, government spending can complement private activity and expand potential output.

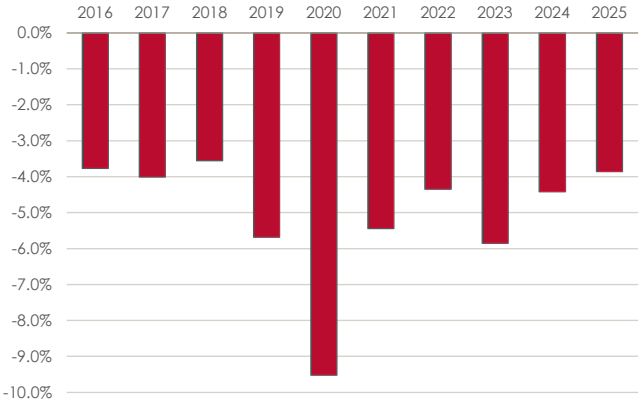
However, several South African time-series studies find that higher aggregate government expenditure is associated with weaker growth, particularly when spending is tilted towards less productive current expenditure and financed through higher, distortionary taxes (Odhiambo, 2015; Buthelezi, 2023). In such contexts, increased spending can reduce efficiency, crowd out private investment and act as a weight on growth rather than a stimulus.

Overall, the recent literature emphasises that the growth effect of government expenditure depends less on its size and more on its composition, efficiency and interaction with the tax system and private sector incentives.

Fiscal deficits

Fiscal deficits, the gap when government spending exceeds revenue, are a common feature of modern public finances, but their scale and duration have far-reaching consequences. Well-timed deficits can support economic stability by allowing government to smooth shocks, maintain core services and invest during downturns, thereby cushioning employment and incomes.

Figure 1.15 Fiscal deficit as a percentage of nominal GDP annually (2016 - 2025)



Source: Quantec, Own calculations

South Africa ran persistent fiscal deficits over 2016 - 2025, with no surplus years. The deficit widened from 3.8 per cent of GDP in 2016 to 5.7 per cent in 2019, then blew out to 9.5 per cent in 2020 during the COVID-19 shock. Since then, it has narrowed but remains elevated, fluctuating between roughly 4.3 and 5.9 per cent of GDP over 2021 - 2024, before improving to 3.9 per cent in 2025, indicating gradual but incomplete fiscal consolidation.

Continued fiscal deficits raise public debt and, over time, push up debt-service costs, crowding out other spending and reducing fiscal space. It can also undermine investor confidence, put upward pressure on interest rates, and limit government's ability to respond to future shocks or fund new priorities without further tax increases or spending restraint.

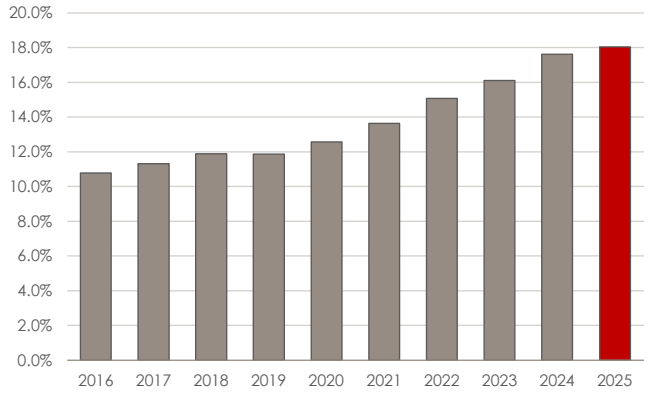
Debt-service costs

As a result of persistent budget deficits, government has had to take on rising levels of debt to finance the fiscal shortfall. Over the past decade, debt-service costs have become one of the largest expenditure items and have grown much faster than overall national spending.

Between 2016 and 2025, debt-service costs increased by 232.8 per cent, compared with total government expenditure growth of 86.8 per cent. Consequently, its share in total government spending rose sharply from 10.8 per cent in 2016 to 18.1 per cent in 2025.

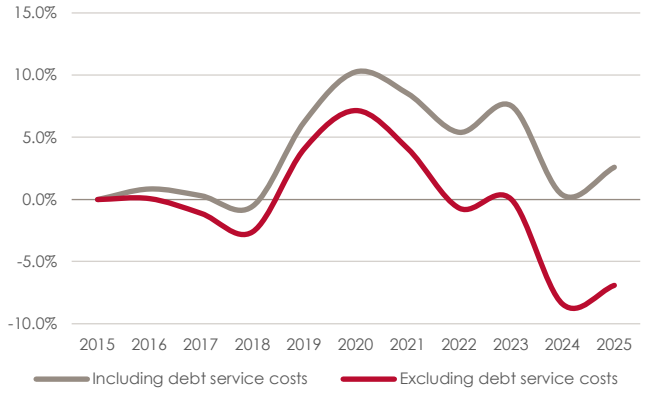
This rapid escalation means that debt-service costs are increasingly crowding out expenditure on frontline services to the public. In 2025, total debt-service costs reached R403.446 billion, equivalent to nearly a fifth of total government expenditure.

Figure 1.16 Debt-service costs as a share of total government expenditure (2016 - 2025)



Source: Quantec, Own calculations

Figure 1.17 Real cumulative growth of government expenditure (per capita, 2016 - 2025)



Source: Quantec, Own calculations

In an effort to curb rapidly increasing and unsustainable debt-service costs, National Treasury set the goal of reaching a primary surplus in the 2019 MTBPS. In such a surplus, tax revenue exceeds non-interest spending, so government borrows less or can begin to reduce existing debt. Sustaining this stance over time lowers the debt-to-GDP ratio, reduces risk premia and bond yields, and makes new borrowing cheaper, gradually slowing the growth of debt-service costs and shrinking their share of the budget.

Since 2023/24, South Africa has achieved a primary surplus, which, if sustained, will place the national fiscus on a more sustainable trajectory.

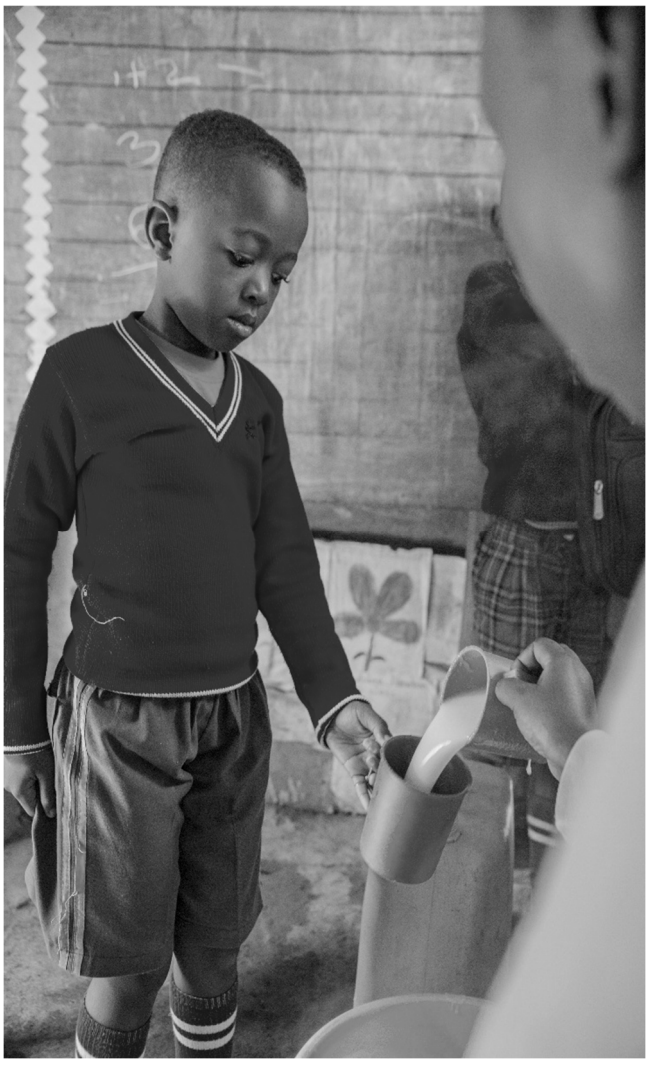
The impact of rising debt-service costs on citizens

Measuring government expenditure per capita in real terms goes to the core of how effectively the state supports its citizens. It strips out the noise of inflation and population growth, revealing whether the average person actually receives more or fewer real resources from the public purse over time.

This lens is vital for assessing both the sustainability and fairness of fiscal policy. It shows whether spending keeps pace with demographic pressures, whether consolidation means real cuts at the individual level, and whether limited resources are being stretched ever thinner, with direct implications for service quality and long-term economic performance.

Over the past decade, real government expenditure per capita has barely increased (2.6 per cent). However, growing debt-service costs meant that relatively fewer resources were available to citizens. Once debt-service costs are excluded from government expenditure, real government spending per capita declined by 6.9 per cent over the decade, implying that citizens effectively received fewer real resources from the state.

This points to rising debt costs crowding out frontline service delivery and undermining the ability of the fiscus to translate total spending into tangible improvements in education, health, security, and other core functions.



1.2.4 Trade performance of the South African economy

Trade plays a central role in shaping how modern economies grow and interact, giving countries access to goods, services, and ideas that may not be available locally. By connecting producers and consumers across borders, it allows businesses to expand into new markets and encourages greater efficiency and innovation. This exchange not only supports economic activity and job creation but also gives consumers a wider range of choices at competitive prices. In this way, trade remains a key pillar of sustainable growth and economic stability.

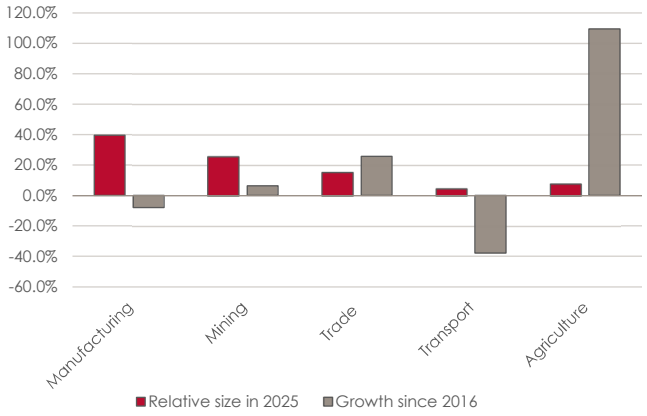
Manufacturing remained South Africa's largest real-export sector in 2025, accounting for 39.5 per cent of total real exports. Despite this dominant position, real manufacturing exports declined cumulatively by 7.9 per cent between 2016 and 2025. The contraction likely reflected recurring electricity interruptions, rising production costs, and inefficient rail and port operations, which disrupted production, increased delivery costs and weakened competitiveness in external markets (SARB, 2024; the dtic, n.d.).

Mining, the second-largest sector at 25.7 per cent of real exports in 2025, performed somewhat better, with real exports increasing by 6.3 per cent over the period. Demand and favourable prices for selected mineral commodities supported the sector. However, its expansion was constrained by many of the same network bottlenecks that affected manufacturing, including limited rail capacity, port congestion, cable theft and operational failures, which restricted the movement of bulk minerals to export terminals (DMRP, 2025; Department of Transport, 2023).

Against this backdrop, trade-related exports recorded stronger cumulative growth of 25.6 per cent between 2016 and 2025 and constituted 15.4 per cent of real exports in 2025. This growth likely reflected expanding regional commerce and cross-border distribution activity, particularly within Southern Africa. However, the sector's growth potential was also curtailed by elevated transport costs, border delays and logistics constraints, given its dependence on the efficient movement of goods across domestic and regional supply chains (SARB, 2024; Department of Transport, 2023).

In contrast, transport was the weakest-performing sector. Although it represented only 4.6 per cent of real exports in 2025, its exports declined by 37.8 per cent from 2016. The steep decline likely reflected the disruption of international travel, tourism and passenger services during the COVID-19 pandemic. The recovery in freight-related transport services was also hampered by persistent weaknesses in rail and port infrastructure, limiting the sector's ability to support broader export activity (Luke, 2020; Department of Transport, 2023).

Figure 1.18 Real export growth (2016 - 2025) and relative size (2025) of South Africa



Source: Quantec, Own calculations

Agriculture provided a notable counterpoint to the weaker performance in several larger sectors. While accounting for 7.9 per cent of real exports in 2025, agricultural exports more than doubled, increasing by 109.3 per cent between 2016 and 2025. This expansion was supported by stronger horticultural production, particularly citrus and other high-value fruit, improved market access, and exchange-rate competitiveness. Nonetheless, the agriculture sector remained exposed to climate variability, animal disease, phytosanitary barriers and logistics disruptions, which could constrain the sustainability of export growth (National Agricultural Marketing Council [NAMC], 2026; Department of Agriculture, Land Reform and Rural Development [DALRRD], 2021).

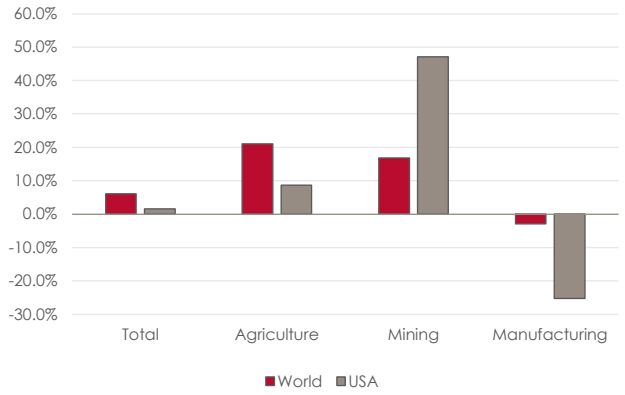
Export Headwinds: How US tariffs are redrawing South Africa's trade map

In 2025, sharply higher US import tariffs reshaped the external environment facing South African exporters, raising both the cost and uncertainty of accessing one of the world's largest consumer markets. For South Africa, the new tariff regime affected a wide range of products, from manufactured goods and vehicles to certain mineral and metal exports, forcing firms to contend with weaker price competitiveness, more complex market-access conditions, and heightened volatility in global value chains.

In early April 2025, the US announced new "reciprocal" tariffs that included a 30 per cent duty on imports from South Africa, on top of existing most-favoured-nation or sector-specific tariffs, with a 90-day pause during which a 10 per cent baseline tariff applied instead. On 7 July 2025, President Trump formally notified President Ramaphosa that the full 30 per cent tariff on "any and all" South African products (excluding certain commodities such as platinum-group metals, gold, chrome and coal, and with higher rates on some products like steel and aluminium) would take effect from 1 August 2025, and this regime remained in force through the end of 2025.

The 30 per cent country-specific reciprocal tariff imposed on South African exports was invalidated by the US Supreme Court in February 2026. It was temporarily replaced by a uniform 10 per cent global import surcharge, which expired on 24 July 2026. From that date, South African exports have instead been subject to a 12.5 per cent Section 301 tariff, in addition to normal US customs duties and any sector-specific measures, such as the separate duties applicable to steel and aluminium products (Covington & Burling LLP, 2026; Trade Compliance Resource Hub, 2026; JLOG, 2026).

Figure 1.19 Nominal quarterly average export growth comparison between the world and the USA (4Q2023 - 1Q2025 vs 2Q2025 - 3Q2026)



Source: Quantec, Own calculations

South Africa's average quarterly nominal exports to the world were 6.0 per cent higher in the six quarters following the US tariff increases compared to the six quarters preceding them. Exports to the US rose by only 1.5 per cent, indicating weaker performance in that market following the tariff increases.

Total agricultural exports expanded by 21.0 per cent, compared with 8.6 per cent to the US, where higher import tariffs may have dampened demand for South African agricultural products.

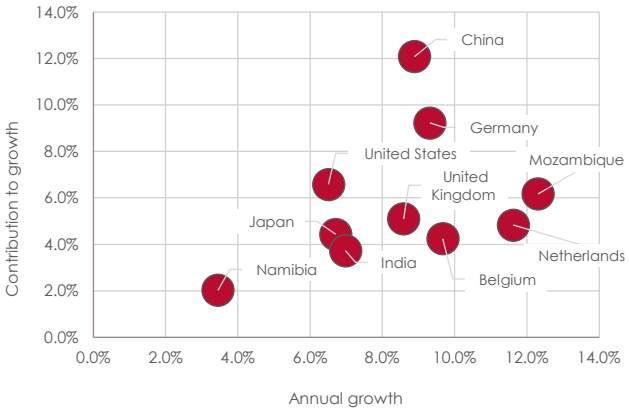
Mining exports to the world increased by 16.8 per cent, while exports to the US surged by 47.0 per cent. US growth was supported by the exemption of selected mining commodities such as platinum, palladium and rhodium from higher tariffs and a 75.6 per cent surge in platinum prices. Furthermore, the value of platinum exports to the US increased by 56.1 per cent, with the US remaining South Africa's largest platinum export destination over the period.

Manufacturing was the weakest-performing sector, with exports to the world declining by 2.9 per cent and exports to the US falling by 25.3 per cent. This sharper US decline suggested greater pressure from the changed trade environment, although tariffs alone could not explain the contraction.

From Berlin to Beijing: who powers South Africa's export growth?

South Africa's export performance from 2016 to 2025 shows a clear shift towards faster-growing Asian and regional markets, while traditional European partners remain central anchors. Exports to China, Germany and the Netherlands all grew strongly, around 8.5 to 12 per cent per year, making large contributions to overall export growth and underscoring their role as key destinations for commodities and higher-value manufactures.

Figure 1.20 Top 10 nominal export growth and growth contributions by country, 2016 - 2025



Source: Quantec, Own calculations

The US delivered slower export growth of 6.5 per cent, but still contributed materially because of the size of the market, notwithstanding recent tariff headwinds. Within Africa, Mozambique recorded the fastest growth (12.3 per cent), highlighting the importance of regional value chains and corridor-linked trade, whereas Namibia's much weaker growth points to a more mature or constrained market. Overall, the pattern suggests growing reliance on dynamic Asian demand and selected regional partners, with Europe providing stability and the US emerging as a higher-risk, policy-sensitive market.

Trading Places: who matters most in South Africa's export and import basket

South Africa's trade relationships have shifted over the past decade in a way that is gradual but decisive, with Asia taking on a larger role and some traditional and regional partners becoming relatively less important. The statistics highlight a trading system that is diversifying its risk and opportunities across markets, rather than relying on a single region or partner.

China's share of South African exports increased to 10.7 per cent in 2025 (a gain of 1.6 percentage points since 2016), while Japan, Germany and Belgium also registered modest increases in export share. The Netherlands' share rose by 1.1 percentage points, while the UK's increased by 0.4 percentage points. By contrast, Namibia, India and the United States recorded declines, highlighting shifts in the relative importance of South Africa's export markets.

Imports show an even stronger pivot towards Asia. China's share of South African imports rose to 22.4 per cent in 2025, an increase of 4.3 percentage points since 2016, firmly entrenching its role as South Africa's primary supplier of manufactured goods and capital equipment. India's share has also increased to 7.3 per cent, while Japan, Italy and Saudi Arabia have experienced small declines, suggesting that South Africa is sourcing a growing proportion of its import needs from China and other emerging Asian suppliers.

Notably, Germany's share of South African imports declined substantially by 4.9 percentage points.

Table 1.2 Share of South Africa's major export destinations and import sources, 2025

Exports				Imports			
Rank	Country	Share in 2025	% Point change since 2016	Rank	Country	Share in 2025	% Point change since 2016
1	China	10.7%	1.6%	1	China	22.4%	4.3%
2	Germany	7.9%	0.6%	2	India	7.3%	3.1%
3	United States	7.1%	(0.1%)	3	Germany	6.9%	(4.9%)
4	Japan	4.7%	0.1%	4	United States	6.8%	0.2%
5	United Kingdom	4.6%	0.4%	5	Oman	3.3%	2.8%
6	Mozambique	4.5%	1.6%	6	Thailand	3.3%	0.4%
7	India	3.8%	(0.5%)	7	Saudi Arabia	3.0%	(0.8%)
8	Netherlands	3.7%	1.1%	8	United Arab Emirates	2.5%	1.1%
9	Namibia	3.6%	(1.1%)	9	Japan	2.3%	(1.1%)
10	Belgium	3.6%	0.6%	10	Italy	2.3%	(0.2%)

Source: Quantec, Own calculations



1.2.5 Capital investments in South Africa's economy

Capital growth lies at the heart of an economy's ability to expand its productive capacity and raise living standards over time. By increasing the stock of machinery, infrastructure, technology and human capital, investment today creates the means to produce at larger scale and more efficiently tomorrow. In a context of constrained resources and rising social demands, the pace and composition of capital growth determine whether the economy can generate higher output, better jobs, and stronger competitiveness, or remain stuck in a low-growth trap.

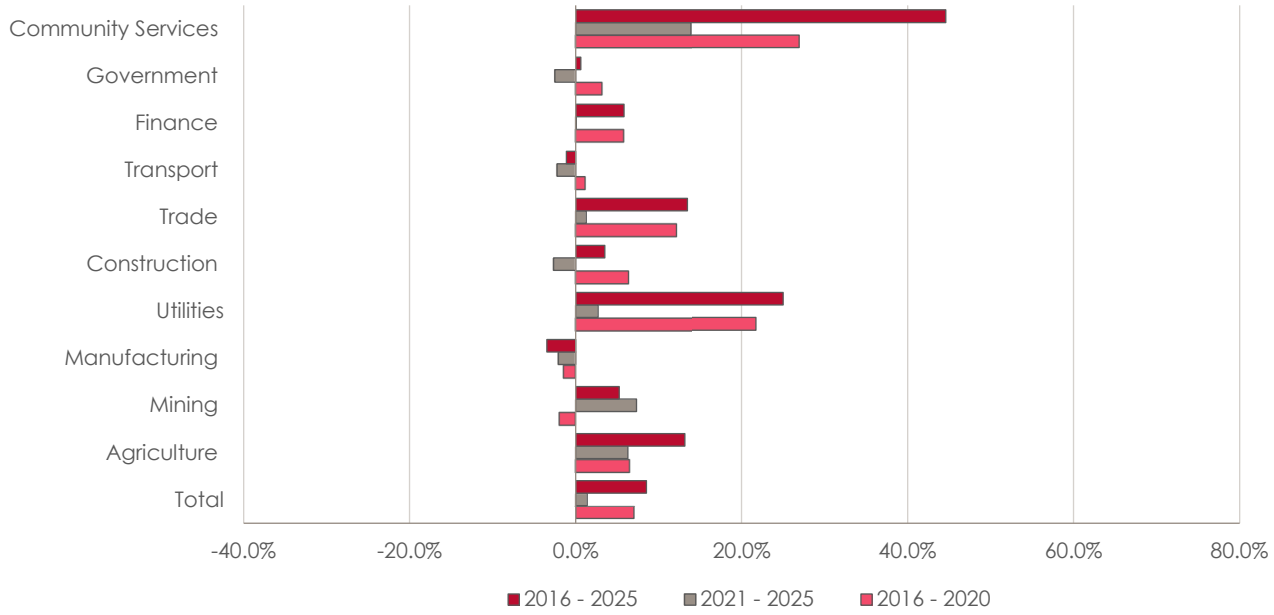
The real net capital stock, built up through net fixed capital formation (NFCF), increased by 8.5 per cent between 2016 and 2025, although the pace of investment weakened considerably over the period. Most of the expansion occurred between 2016 and 2020, when the net capital stock grew by 7.0 per cent. Growth then slowed to just 1.4 per cent between 2021 and 2025, pointing to broadly stagnant investment amid weak economic conditions, fiscal pressures, and persistent electricity and logistics constraints.

Despite this weak overall trend, the community services sector recorded by far the strongest performance. The sector's real net capital stock increased by 44.6 per cent over the decade, contributing 3.2 percentage points to total capital stock growth. While growth moderated after 2020, the community services sector continued to expand strongly, likely reflecting investment in social, health, and education infrastructure. The utilities sector also supported overall investment growth, with its net capital stock increasing by 25.0 per cent and contributing 2.4 percentage points over the decade. However, most of this expansion occurred before 2020, with investment growth slowing substantially thereafter.

The agriculture sector showed a more consistent pattern, with its net capital stock increasing by 13.2 per cent over the decade and recording similar growth in both sub-periods. The finance sector grew by 5.9 per cent, although virtually all of this expansion occurred before 2020. The trade sector also performed relatively well, with its net capital stock rising by 13.5 per cent, mostly before 2020.

By contrast, investment outcomes were weak in sectors most exposed to infrastructure constraints. The manufacturing sector recorded a 3.4 per cent decline in its net capital stock over the decade, while the transport sector declined by 1.1 per cent as post-2020 reductions reversed earlier gains. The mining sector recorded moderate growth of 5.3 per cent, driven by recovery after 2020, whereas the construction sector increased by only 3.5 per cent as its initial gains were partly offset by weaker investment in the latter period.

Figure 1.21 Growth in capital stock by sector in South Africa, 2016 - 2025



Source: Quantec, Own calculations

Building investment slowdown drove South Africa's post-2020 capital stock slowdown

In 2025, buildings and construction works (73.7 per cent) were by far the largest component of South Africa's capital stock, followed at a distance by machinery and other equipment (10.0 per cent) and transport equipment (6.7 per cent).

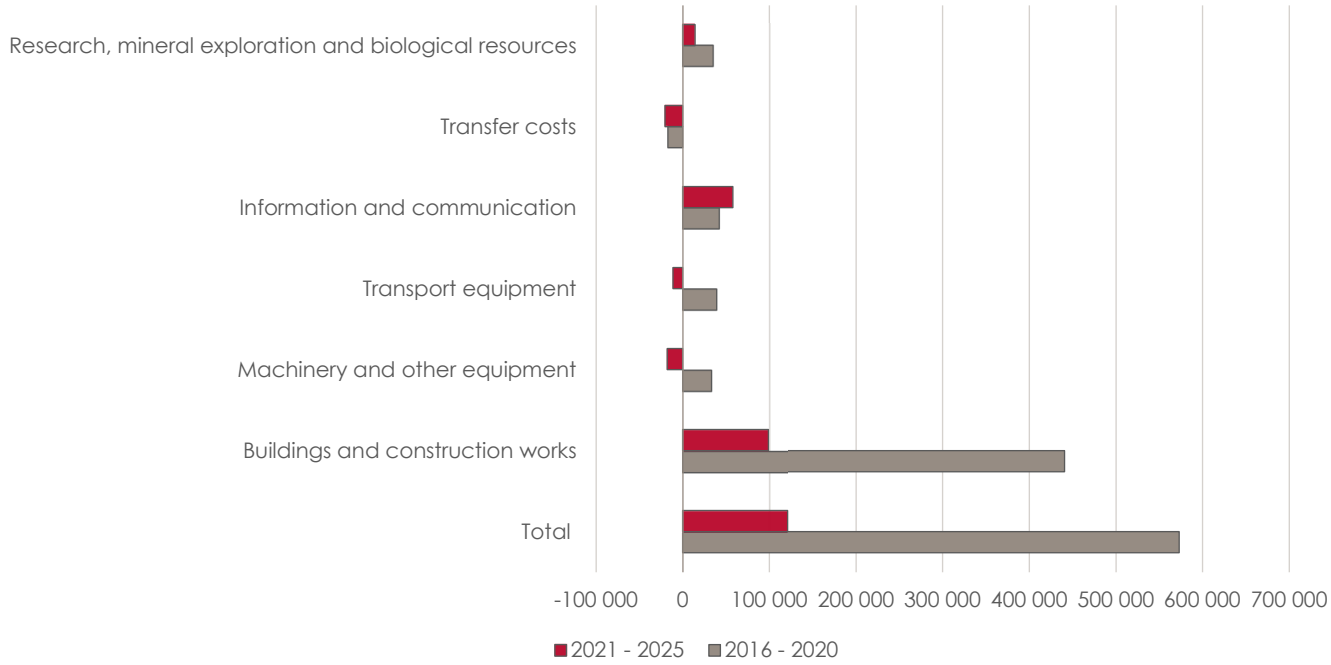
NFCF declined sharply when comparing the first five years of the decade (2016 - 2020) with the second (2021 - 2025). Real NFCF in the first period (R572.9 billion) was about 4.7 times higher than in the second (R121.0 billion), underscoring a pronounced loss of investment momentum.

The contraction in NFCF was overwhelmingly driven by buildings and construction works, which accounted for 75.7 per cent of the total decline between the two five-year periods. The next largest contributions to the contraction came from machinery and other equipment (11.3 per cent) and transport equipment (11.1 per cent), indicating that weakness was concentrated in core fixed assets that underpin productive capacity.



This pattern highlights a decade in which South Africa's capital stock remained heavily dominated by buildings, while new investment in both structures and key equipment slowed markedly in the latter half of the period, with adverse implications for future growth and productivity.

Figure 1.22 Real net fixed capital formation by type in South Africa, 2016 - 2020 vs 2021 - 2025 (R million)



Source: Quantec, Own calculations

Global gears in motion, South African machines in reverse

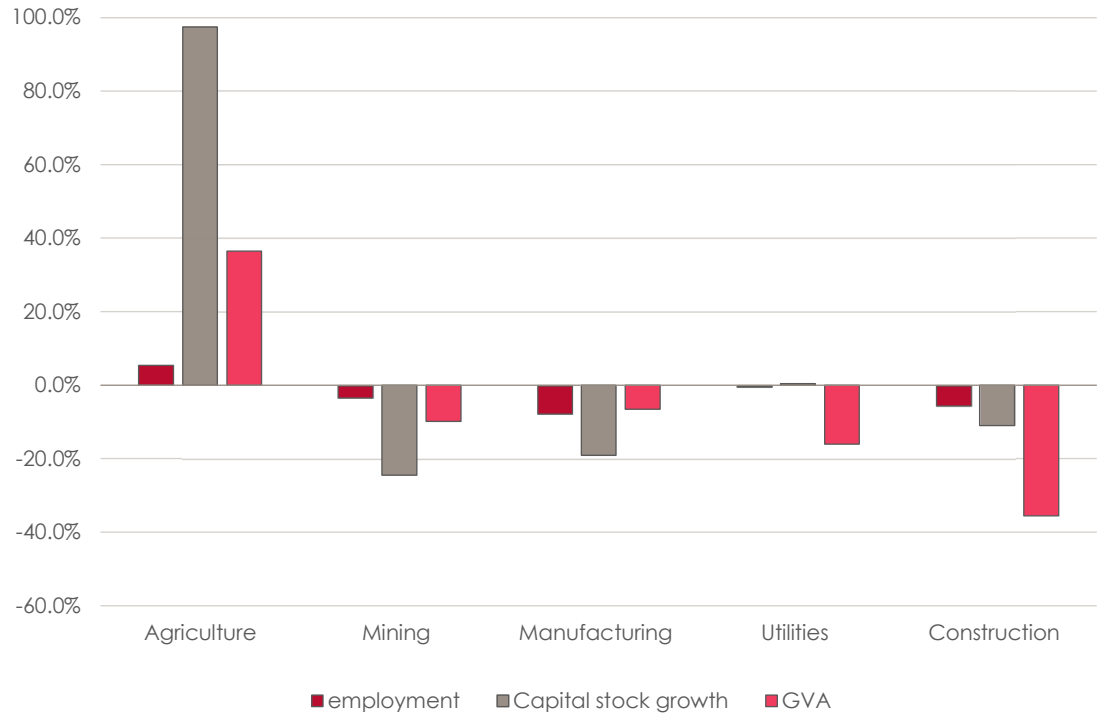
Between 2016 and 2025 most of South Africa's primary and secondary sectors recorded a decline in machinery and other equipment capital stock. With the exception of the agriculture sector, which almost doubled its machinery and other equipment over the decade (97.4 per cent), other key sectors such as mining (-24.5 per cent); manufacturing (-19.1 per cent); and construction (-11.0 per cent) sectors all contracted, while investments in machinery and other equipment in the utilities sector remained stable (0.4 per cent) over the period. Over the decade the real decline in capital investments in machinery and other equipment was accompanied by contractions in GDP and employment, while the agriculture sector GDP and employment expanded by 36.5 per cent and 5.3 per cent respectively.

In contrast to South Africa, global evidence points to a sustained increase in investment in machine capital and automation-related technologies. Smart manufacturing and industrial automation are among the fastest-growing segments of global capital-goods demand: the smart manufacturing market, estimated at USD 250 – 300 billion in 2022, is projected to reach USD 700 – 750 billion by 2030, implying annual growth of about 13 - 15 per cent (UBS, 2024). The industrial automation market was estimated at approximately USD 240 billion in 2024 and is forecast to more than double by 2033 (SkyQuest, 2024).

This expansion is geographically broad-based, with China and the wider Asia-Pacific region leading growth, alongside continued expansion in North America and Europe (UBS, 2024). Financial flows support this trend: global private-equity and venture-capital investment in industrial automation reached USD 14.87 billion in the year to September 2024, exceeding the total for 2023, while larger average deal sizes indicate investment in more capital-intensive automation projects (S&P Global Market Intelligence, 2024).

Automation divisions of European capital-goods firms also recorded average organic sales growth of about 11 per cent during 2021–2023, compared with 3–5 per cent previously (UBS, 2024). These trends reflect sustained investment in robots, sensors, digital control systems and AI-enabled production technologies, supported by their potential to raise global productivity growth by an estimated 0.8 - 1.4 percentage points annually (McKinsey Global Institute, 2017).

Figure 1.23 Cumulative growth in the real net capital stock of machinery and other equipment, employment, GVA of selected sectors in South Africa, 2016 - 2025



Source: Quantec, Own calculations

1.2.6 Powering progress: South Africa's battle to overcome energy constraints

Electricity is a fundamental driver of modern economic activity, enabling production, services, and digital technologies. Without reliable and affordable power, growth, investment and employment are severely constrained.

Load shedding in South Africa was first implemented in late 2007, when Eskom introduced rolling blackouts to prevent a nationwide grid collapse. The crisis intensified markedly in 2023, when power cuts in some areas extended to more than 12 hours per day, with warnings of up to 16 hours daily (BBC News, 2023).

Generation performance subsequently improved, and Eskom suspended load shedding from 26 March 2024. By mid-August 2024, the country had recorded more than 142 consecutive days of uninterrupted electricity supply (South African Government News Agency [SAnews], 2024).

Between 2016 and 2025, total electricity production in South Africa declined by 7.7 per cent. Over the same period, electricity generated and ready for distribution by the national utility, Eskom, fell by 14.4 per cent, while output from alternative electricity producers expanded strongly by 84.2 per cent.

As a result, the share of alternative producers in total electricity generation ready for distribution increased by 5.8 percentage points, from 7.6 per cent in 2016 to 13.4 per cent in 2025.

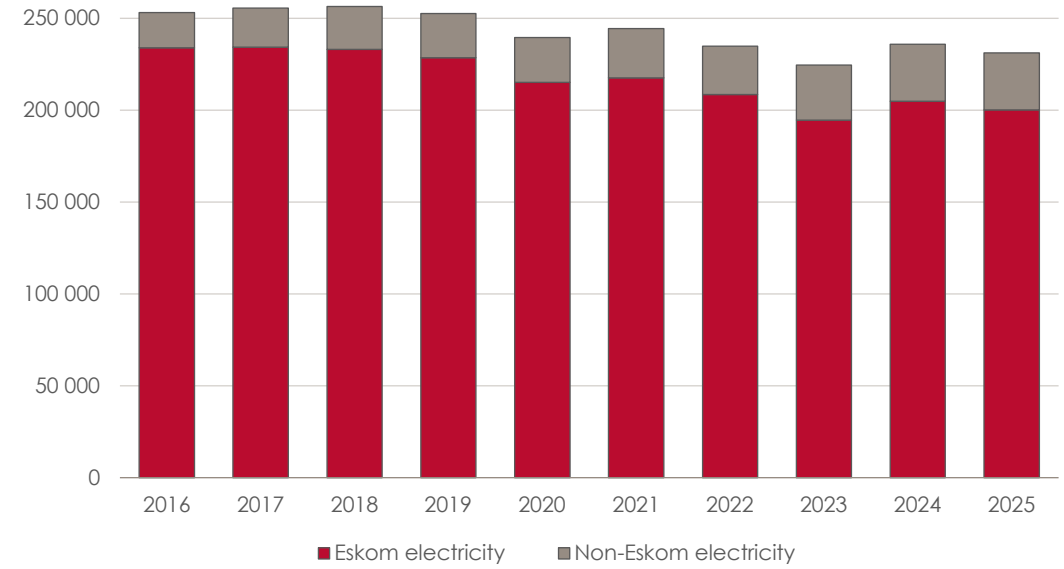
Regulatory reform has reduced barriers to private electricity generation and strengthened investment incentives. The IRP 2010 - 2030 provided the long-term planning framework for renewable generation, including a 17.8 GW renewable-energy allocation; a subsequent 2015 determination specified 6 300 MW for procurement across renewable technologies (DoE, 2011b, 2015).

The 2011 New Generation Capacity Regulations established the rules for procuring new capacity and IPP projects, with Eskom designated as the buyer/off-taker for relevant procurements (DoE, 2011a).

More recently, businesses could claim a 125 per cent first-year deduction for qualifying renewable-energy assets brought into use between 1 March 2023 and 28 February 2025 (National Treasury & South African Revenue Service [SARS], 2023).

Amendments to Schedule 2 exempted embedded-generation facilities of up to 100 MW from licensing, subject to registration and specified conditions, including arrangements for wheeling (Department of Mineral Resources and Energy [DMRE], 2021). The Electricity Regulation Amendment Act 38 of 2024, effective from 1 January 2025, further introduced the institutional basis for an independent transmission system operator and competitive electricity trading (Republic of South Africa, 2024).

Figure 1.24 Total electricity produced in South Africa: Eskom and non-Eskom producers, 2016 - 2025



Source: Quantec, Own calculations

Electricity price pressures and economic competitiveness

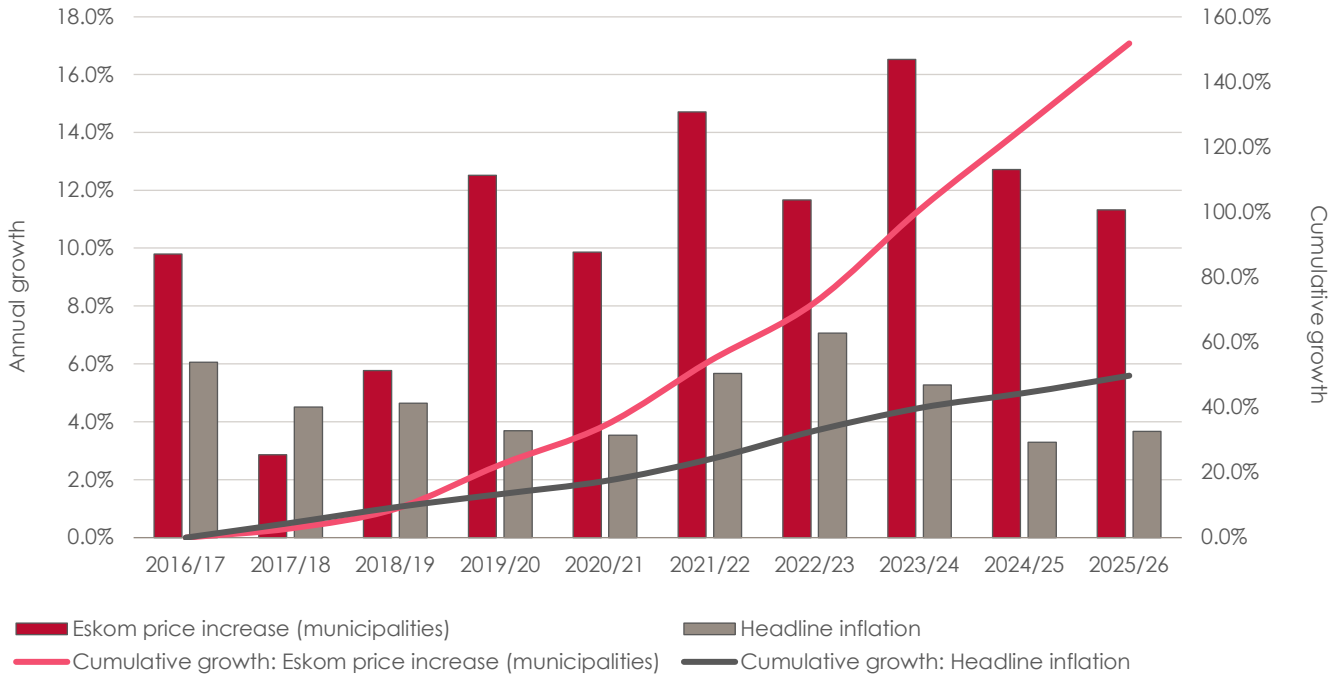
Electricity prices play a pivotal role in shaping both inflation dynamics and business competitiveness. Because electricity is a ubiquitous input into household consumption and production, sustained increases in tariffs feed directly into headline inflation and can also raise inflation expectations, particularly when price shocks are large or persistent.

For firms, especially in energy-intensive sectors, higher electricity costs translate into increased operating expenses, squeezed profit margins and reduced ability to compete domestically and internationally, unless they can improve efficiency or pass costs on to consumers.

Between 2016/17 and 2025/26, Eskom's tariff increases for local authorities have, with the sole exception of 2017/18, consistently outpaced South Africa's headline inflation rate. Over this decade, the average annual electricity price increase for local authorities exceeded the average headline inflation rate by 6.0 percentage points, highlighting a persistent real rise in municipal purchase costs.

In 2026/27, NERSA approved a further electricity price increase of 9.01 per cent, which is again expected to be above the prevailing headline inflation rate.

Figure 1.25 Electricity price inflation for municipalities in comparison to headline inflation, 2016/17 - 2025/26



Source: Quantec, Own calculations

Coal-fired generation and greenhouse-gas emissions

Coal-fired electricity generation is the main driver of South Africa's greenhouse-gas footprint because the power system is dominated by coal and coal is highly carbon-intensive (DMRE, 2019; Climate Transparency, 2022).

Eskom's baseload coal stations supply most grid electricity and dominate the "energy industries" category in the national inventory; consequently, changes in coal-fired output materially affect national emissions (DFFE, 2025; DMRE, 2019). In 2022, coal produced about 84 per cent of electricity, helping to explain South Africa's relatively high per-capita emissions (Climate Transparency, 2022).

This dependence makes the electricity sector the largest contributor to national greenhouse-gas emissions. Energy activities produce most carbon dioxide emissions, while Eskom estimates that electricity generation has historically accounted for about 42 per cent of national greenhouse-gas emissions (Eskom, 2025a, 2025b).

Eskom's coal- and gas-fired stations emit roughly 16 - 18 million tonnes of CO_2 per month, and country-specific factors show that sub-bituminous coal used for power generation has an emission factor of about 97 807 kg CO_2 per terajoule, above the applicable Intergovernmental Panel on Climate Change default, making each megawatt-hour particularly emissions-intensive (Kornelius et al., 2026).

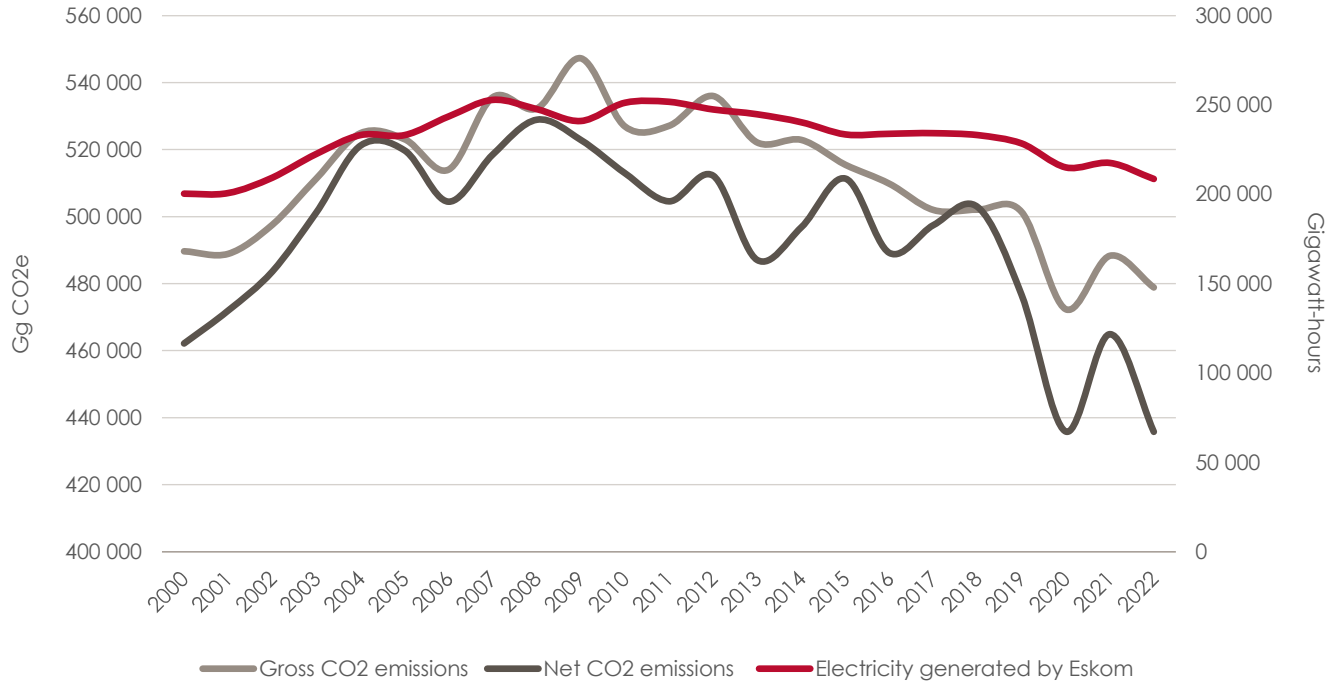
Meeting South Africa's Paris-aligned emissions ranges of 398 - 510 Mt CO_2e by 2025 and 350 - 420 Mt CO_2e by 2030 therefore requires substantial reductions in coal generation alongside rapid investment in renewable generation,

storage and transmission-grid expansion (Republic of South Africa, 2021; Eskom, 2025a; Climate Transparency, 2022). Scenario studies further find that procuring additional coal-fired capacity would increase both power-system costs and greenhouse-gas emissions, reinforcing the importance of shifting away from coal-based generation (Merven et al., 2021; Ireland et al., 2019).

From 2000 to 2007, Eskom's electricity generation and South Africa's greenhouse-gas emissions, both gross and net of sequestration, rose in lockstep, with 2007 standing out as a watershed in the country's carbon trajectory. After 2007, Eskom's predominantly coal-based output stopped growing and then declined, while emissions broadly followed the same pattern.

Gross emissions fell by about 10.6 per cent and net emissions by about 16.0 per cent between 2008 and 2022 (DFFE, 2025). This post-2007 shift indicates a strong positive association between coal-fired generation and total national greenhouse-gas emissions.

Figure 1.26 Total carbon equivalent emissions before and after sequestration and electricity generated by Eskom, 2000 - 2022



Source: Department of Forestry, Fisheries and the Environment, 9th National Greenhouse Gas (GHG) Inventory Report



Oil Shocks, inflation pressures and the repo rate path in South Africa

Inflation is the price signal that drives the Reserve Bank's hand on the repo rate: when prices climb too fast, the Bank raises the cost of borrowing to cool demand; when inflation eases, it can cut rates to support spending and investment. Through this channel, inflation does not just erode household purchasing power; it shapes the interest-rate path that ultimately determines how fast the economy can grow.

South Africa's current inflation environment is being shaped by renewed imported price pressures, especially higher fuel costs linked to geopolitical tensions, even as earlier domestic disinflation has largely faded.

South Africa's headline inflation was initially subdued after the supply-chain disruptions caused by the COVID-19 lockdowns, falling by 5.0 percentage points from 7.8 per cent in July 2022 to 2.8 per cent in October 2024. It then hovered near the bottom of the then 3 - 6 per cent target range, prompting the SARB to reduce the repo rate by 150 basis points, from 8.25 per cent in August 2024 to 6.75 per cent in November 2025, where it remained for six months.

However, the escalation of the US-Iran conflict and the subsequent closure of the Strait of Hormuz triggered an oil-price spike in March 2026, pushing South Africa's inflation up to 5.0 per cent by June 2026.

The impact of the surge in oil prices and the resulting fuel-price inflation was significant. CPI inflation excluding fuel stood at 3.8 per cent in June 2026; 1.2 percentage points lower than headline inflation.

The surge in headline inflation since March 2026 led to a 25 basis point increase in the repo rate to 7.0 per cent in May 2026. After keeping the rate unchanged in July, the SARB raised it by a further 25 basis points to 7.25 per cent in September 2026, citing a large, negative and persistent global supply shock as hostilities in the Middle East intensified.

The SARB expects inflation to exceed 5.0 per cent towards the end of 2026 and in early 2027, before easing to around its 3.0 per cent target towards the end of 2027. The extent of any further tightening will therefore depend largely on the duration of the military conflict in the Middle East and its effect on oil prices.

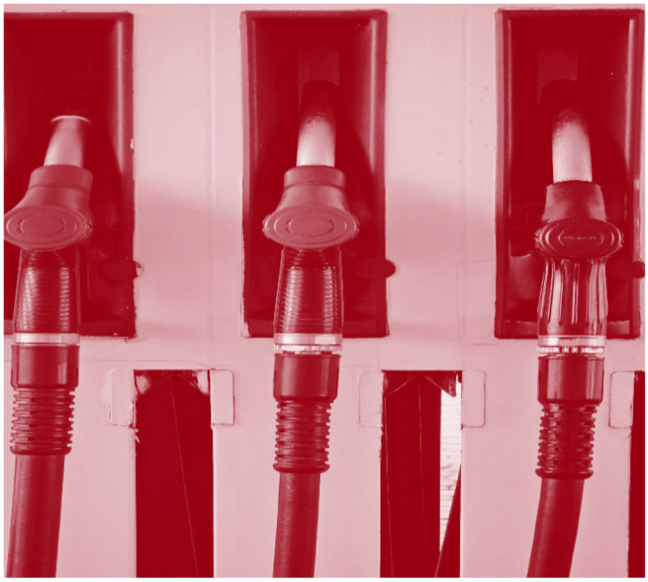
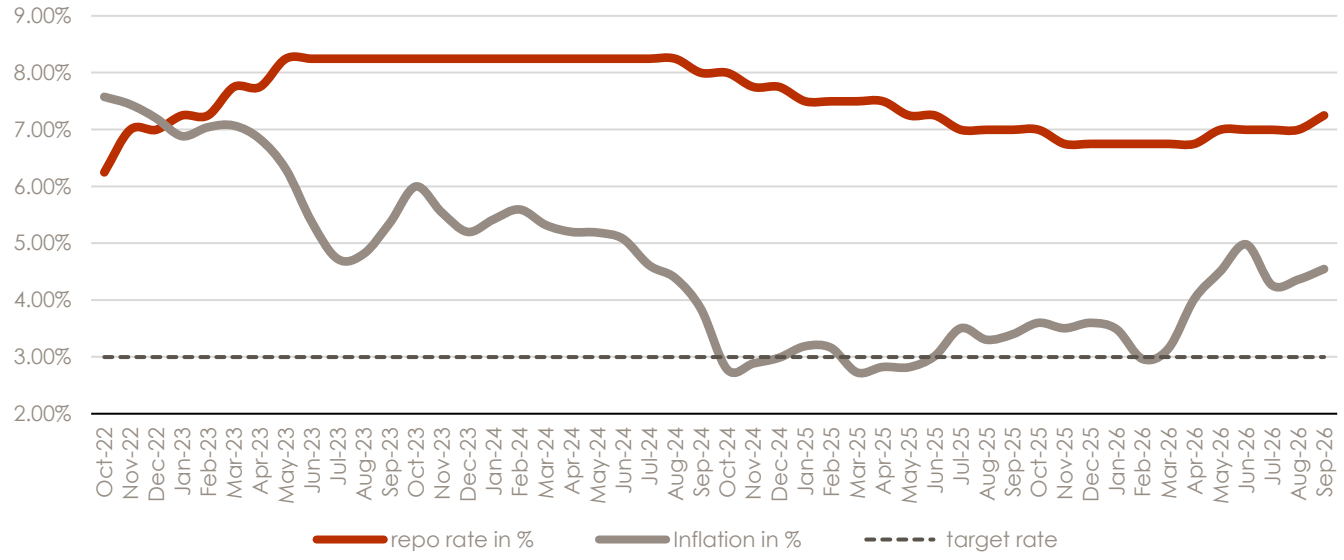


Figure 1.27 Headline inflation and the repo rate for South Africa, October 2022 – September 2026



Source: Quantec, Own calculations

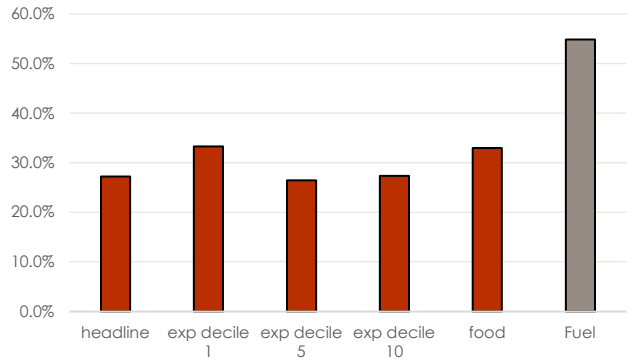
Oil shock, fuel inflation and cost-of-living pressure

The closure of the Strait of Hormuz on 2 March 2026, following the escalation of the US-Iran conflict, pushed crude oil prices up by 42.6 per cent in March (National Institute of Statistics and Economic Studies [INSEE], 2026). By April 2026, oil prices were 32.9 per cent above their January 2025 level, compared with 13.0 per cent below it in February. Fuel prices followed with a one-month lag, rising by 18.2 per cent in April and peaking in June at 32.6 per cent above their January 2025 level (Statistics South Africa, 2026a, 2026b).

The partial reopening of the Strait from 17 June 2026, after a US-Iran framework deal, brought only brief relief (Reuters, 2026b). Oil prices fell back to 2.0 per cent above their January 2025 level in July, and fuel prices eased to 20.6 per cent above it in August. Renewed hostilities in the Middle East, however, lifted oil prices to 30.8 per cent and fuel prices to 28.1 per cent above their January 2025 levels in September 2026 (SARB, 2026).

Over the past five years, fuel prices have risen by 54.9 per cent and food prices by 33.0 per cent, compared with 27.2 per cent for headline CPI. Poorer households have been hit hardest: prices for expenditure decile 1 rose by 33.3 per cent, 6.1 percentage points more than headline, while those for deciles 5 (26.5 per cent) and 10 (27.3 per cent) rose broadly in line with headline.

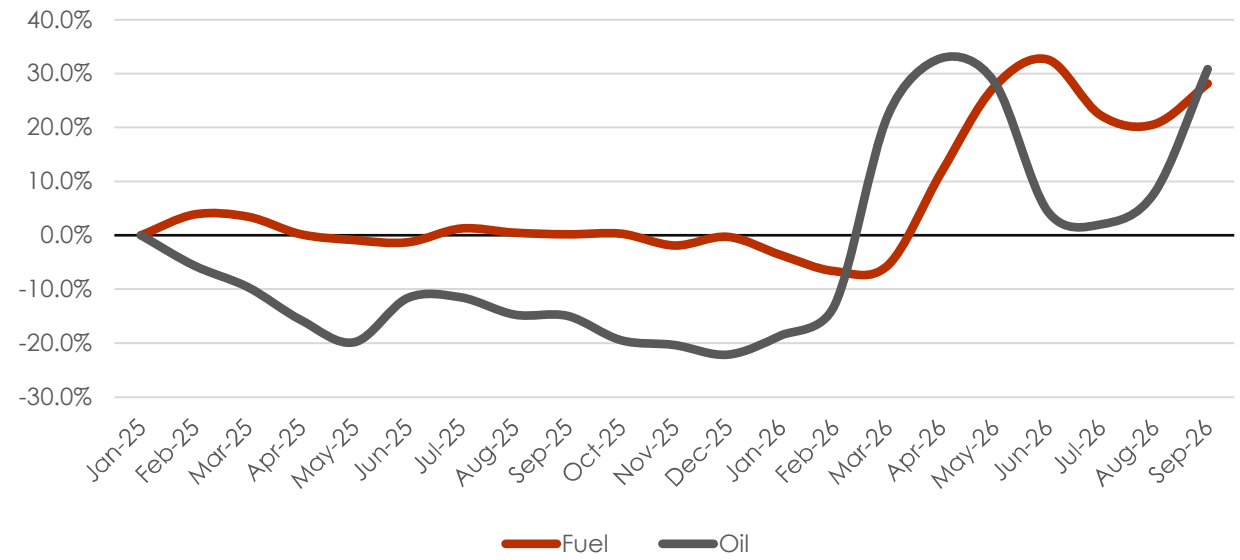
Figure 1.28 Cumulative CPI growth (October 2021 - September 2026)



Source: Quantec, Own calculations

This stronger inflation pressure on poorer households is likely explained by food inflation, which rose by 33.0 per cent over the same period, or 5.8 percentage points above headline inflation. Because poorer households spend a larger share of their income on food, they are more exposed to rises in food prices (Beatty, 2010).

Figure 1.29 Cumulative growth of fuel CPI and average oil prices, January 2025 – September 2026



Source: World Bank, Quantec, Own calculations

1.2.7 Economic outlook of South Africa

Second quarter results: mining metals mask a faltering industrial core

South Africa's GDP at basic prices contracted by 0.2 per cent quarter-on-quarter in the 2*nd* quarter of 2026, ending six consecutive quarters of growth, and increased by only 0.9 per cent compared to the same period in the previous year. This represents a notable loss of momentum after the relatively strong start to the year, particularly in the context of modest growth of 1.1 per cent recorded in 2025 and an average growth rate of 0.8 per cent over the past three years.

On a quarter-on-quarter basis, three sectors contracted in the 2*nd* quarter of 2026: mining (-3.0 per cent), trade (-1.9 per cent) and manufacturing (-1.8 per cent). The utilities and government sectors recorded the strongest growth, at 1.0 per cent each. On a year-on-year basis, five sectors contracted, led by the manufacturing (-3.1 per cent) and utilities (-3.1 per cent) sectors, followed by mining (-0.7 per cent), construction (-0.6 per cent) and trade (-0.1 per cent) sectors.

Collectively, these five sectors reduced year-on-year GDP growth by the equivalent of 59.4 per cent of total growth in the 2*nd* quarter of 2026, with the manufacturing sector alone subtracting the equivalent of 43.8 per cent of total growth, highlighting its significant drag on economic performance.

On a year-on-year basis, the agriculture sector recorded the strongest growth (3.4 per cent), followed by finance and government (2.3 per cent each) sectors. The finance sector made by far the largest contribution to growth, accounting for 73.7 per cent of total GDP growth, followed by community services (30.8 per cent), government (23.2 per cent), transport (19.2 per cent) and agriculture (12.5 per cent) sectors.

Chrome and platinum exports support mining recovery

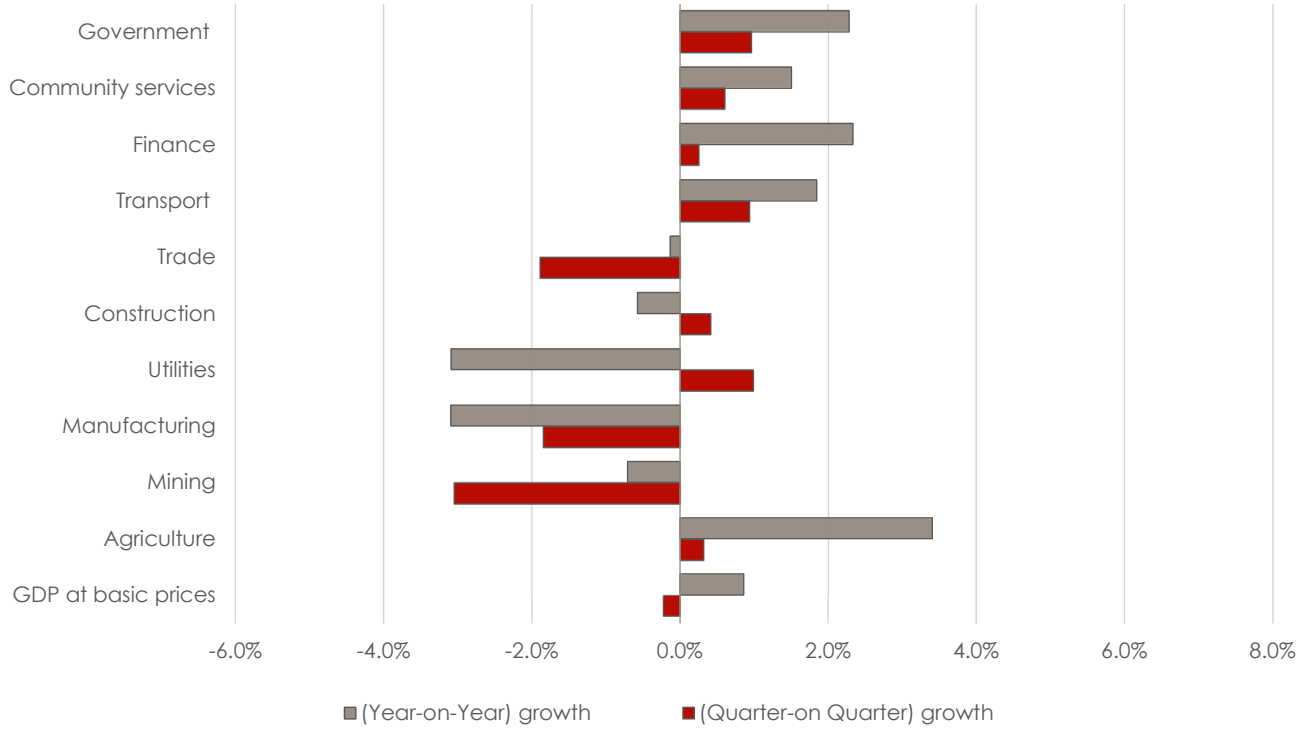
The mining sector's robust 1st quarter performance, with year-on-year growth of 5.7 per cent, was not sustained in the 2nd quarter, when the sector's GDP contracted by 0.7 per cent (year-on-year), despite strong growth in nominal exports.

Cumulatively, mining exports increased by 28.0 per cent over the first two quarters of 2026 when compared to the same period the previous year. As a result, the mining sector made a 123.5 per cent contribution to total nominal export growth over the first two quarters of 2026 when compared to the same period in the previous year.

In the first two quarters of 2026, chrome (16.2 per cent) and platinum group metals (69.9 per cent) together accounted for 86.1 per cent of mining export growth compared to the same period the previous year.

In the same period, the average price of platinum in USD surged by 102.9 per cent compared to the same period the previous year.

Figure 1.30 Gross Domestic Product growth for South Africa by sector on a quarter and annual basis, 2Q2026



Source: Quantec, Own calculations

Growth in nominal chrome exports can mainly be attributed to export growth contributions from China (108.8 per cent) and Hong Kong (20.7 per cent) in the first two quarters of 2026 when compared to the same period the previous year.

The reasons for increased chrome exports to China are twofold: structural substitution in the value chain and precautionary procurement ahead of policy change.

South Africa has curtailed a substantial share of domestic ferrochrome processing as high electricity costs and weak alloy margins made smelting uncompetitive. Major producers suspended or reduced operations from May 2025, including the Glencore-Merafe Boshoek and Wonderkop smelters, contributing to a shift towards exports of unbeneficiated chrome ore (Fastmarkets, 2025; Glencore-Merafe Chrome Venture, 2025). China correspondingly reduced ferrochrome imports from South Africa while continuing to import chrome ore for its domestic smelting industry (Fastmarkets, 2025).

Chinese purchasing was further supported by policy risk. In June 2025, Cabinet approved proposed measures placing chrome ore under export control, which would require exporters to obtain permits from the International Trade Administration Commission of South Africa (ITAC), and approved the development of a chrome-ore export tax (Republic of South Africa, 2025). These prospective constraints may have encouraged buyers to secure material ahead of potentially tighter access.

The surge in platinum exports can be attributed to growth contributions mainly from the US (24.5 per cent), Japan (20.6 per cent), United Kingdom (19.7 per cent) and Germany (14.9 per cent).

Two complementary factors appear to have strengthened platinum demand. First, precautionary buying: although platinum-group metals were exempt from the reciprocal tariffs applied to South African goods, the US Section 232 investigation into critical-mineral imports created uncertainty about possible future trade measures. This appears to have encouraged US purchasers to secure platinum in advance.

Platinum is South Africa's largest direct export to the US, accounting for roughly half of all South African exports to the US in the 3rd quarter of 2025 (Trade and Industrial Policy Strategies [TIPS], 2025).

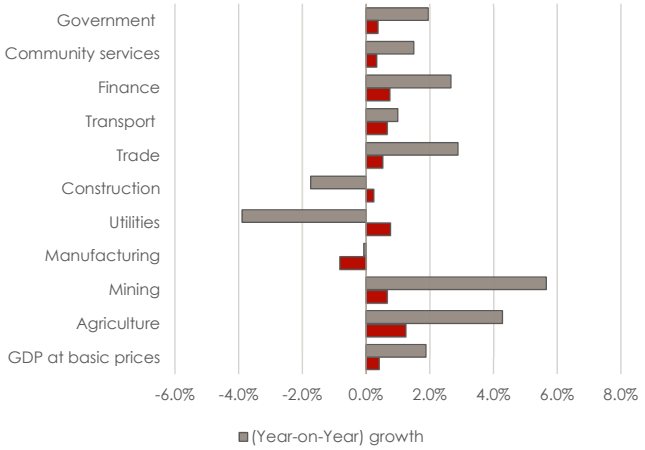
Second, physical market tightness: the global platinum market is expected to record a fourth consecutive annual deficit in 2026. Cumulative deficits have depleted above-ground stocks to just under three months of projected demand cover, while historically elevated lease rates and backwardation[3] in the London over-the-counter market point to constrained availability of deliverable metal (World Platinum Investment Council [WPIC], 2026).

These conditions have increased the incentive for industrial users, fabricators and investors in major trading and storage centres, including London, Frankfurt and Tokyo, to secure physical platinum.

Growth drivers shift as manufacturing underperforms

A comparison of each sector's share of the economy in 2025 with its contribution to 2nd quarter 2026 GDP growth on a year-on-year basis shows whether a sector over- or underperformed relative to its size. On this basis, five sectors outperformed.

Figure 1.31 Comparison between growth contribution in 2Q2026 and share of total GDP in 2025 per sector in South Africa



Source: Quantec, Own calculations

The finance (46.5 percentage points), agriculture (9.3 percentage points), transport (10.2 percentage points), community services (13.2 percentage points) and government (14.5 percentage points) sectors' contributions to year-on-year GDP growth in the 2nd quarter of 2026 all exceeded their respective shares of total GDP in 2025.

In stark contrast, the manufacturing sector, with a negative growth contribution (-43.8 per cent) in the 2nd quarter (year-on-year), was 55.9 percentage points lower than its 2025 share of total GDP (12.1 per cent).

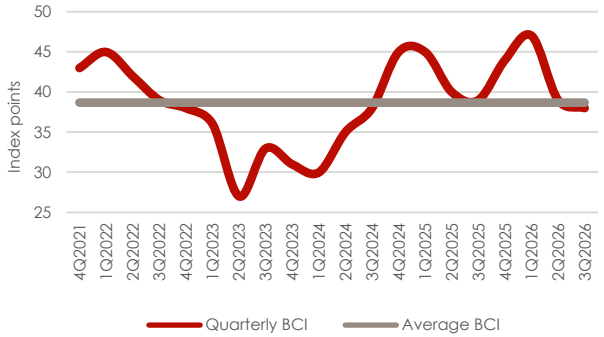
Business confidence lower for the third quarter 2026

In the 3rd quarter of 2026, the RMB/BER Composite Business Confidence Index was 38 points, one point lower than the previous quarter and slightly below the quarterly average over the past five years. A business confidence index of 38 indicates relatively low confidence among businesses.

[3] Backwardation is a market condition in which the spot or near-term price of a commodity is higher than the price for later delivery, typically signalling tight current supply.

Since 50 is neutral, a score below this suggests pessimism. At 38 points, the majority of respondents are dissatisfied with prevailing business conditions, which may lead to reduced investment and hiring. This low sentiment can signal a potential slowdown in economic activity.

Figure 1.32 Composite Business Confidence Index of South Africa (4Q2021 - 3Q2026)



Source: Quarterly, Own calculations

Early economic momentum faces mounting pressure

South Africa's economy began 2026 with encouraging momentum from mining, agriculture, finance and trade, signalling a degree of resilience after years of subdued growth. Yet the outlook has become more constrained as external and domestic pressures converged in the 2nd quarter.

The dominant external shock is the renewed Middle East conflict, which has driven crude oil and diesel prices sharply higher. This cost impulse feeds directly into inflation, prompting the SARB to raise the repo rate and keep policy restrictive for longer. Higher fuel and financing costs simultaneously raise input expenses for the agriculture, mining, manufacturing and construction sectors while squeezing household disposable income, slowing residential property demand and limiting insurance premium growth in the finance sector.

Electricity has shifted from a supply constraint to a pure cost problem. Tariffs continue to climb, weighing heavily on energy-intensive mining and manufacturing operations, irrigated farming and construction activity. Logistics bottlenecks at Transnet rail and ports compound the difficulty, restricting bulk mineral exports, delaying manufactured goods and raising the landed cost of agricultural produce.

Climate and disease risks remain concentrated but material. A likely strong El Niño threatens summer crop yields, while lingering foot-and-mouth disease continues to disrupt livestock production and red-meat exports. Higher US tariffs and South Africa's exclusion from the African Growth and Opportunity Act (AGOA) add further uncertainty for citrus, wine and deciduous fruit exporters, and Chinese import competition intensifies pressure on domestic manufacturers of vehicles, machinery and electronics.

Closer to home, the construction sector is uniquely hampered by ongoing extortion and project disruptions linked to the construction mafia, alongside underspending of infrastructure budgets and weak private demand. Municipal dysfunction amplifies many of these pressures by impairing water delivery and local electricity networks, transmitting failures to households and firms across the economy.

Taken together, these risks; oil-driven inflation and tighter monetary policy, elevated electricity and logistics costs, climate and disease shocks, trade frictions, and institutional weaknesses; create a more selective and volatile operating environment for every major sector, tempering the early-year recovery.

South Africa's economy is projected[4] to grow by 1.3 per cent in 2026 and 1.2 per cent in 2027. Agriculture is expected to be the fastest-growing sector in 2026, supported by improved production conditions, while the finance sector is forecast to make the largest contribution to overall GDP growth because of its much larger share of economic activity.

[4] See Annexure B for alternative GDP growth projections of South Africa

Table 1.3 Economic outlook of South Africa, 2026 - 2027

	Average growth		Annual growth		Growth contribution	
	2016 - 2025	2025	2026 (f)	2027 (f)	2026 (f)	2027 (f)
Agriculture	3.6%	17.4%	3.0%	7.3%	0.1	0.2
Mining	(0.8%)	0.2%	1.9%	(2.5%)	0.1	(0.1)
Manufacturing	(0.6%)	(1.2%)	(1.8%)	1.7%	(0.2)	0.2
Utilities	(1.7%)	(4.3%)	(2.9%)	(3.0%)	(0.1)	(0.1)
Construction	(4.2%)	(4.4%)	(1.1%)	(1.4%)	(0.0)	(0.0)
Trade	(0.2%)	2.3%	1.4%	1.4%	0.2	0.2
Transport	0.8%	0.8%	1.5%	2.0%	0.1	0.2
Finance	2.3%	1.9%	2.4%	1.3%	0.6	0.3
Community services	1.5%	0.4%	1.5%	1.4%	0.3	0.2
Government	0.8%	0.4%	2.1%	0.5%	0.2	0.0
South Africa GDP at market prices	0.7%	1.1%	1.3%	1.2%	1.3	1.2

Source: Provincial Treasury

1.3 Conclusion

South Africa enters the period ahead with both meaningful opportunities and significant vulnerabilities. The economy has shown resilience in selected sectors, supported by improvements in energy availability, reform initiatives and stronger activity in parts of the primary and services sectors. However, a broad-based and sustained recovery will depend on whether these gains can be extended to productive, labour-absorbing industries such as manufacturing, construction, logistics and trade.

The external environment remains uncertain. Geopolitical conflict, shifting trade rules, commodity-price volatility and global financial conditions may affect inflation, export demand, and investment decisions. Domestically, high electricity costs, constrained transport networks, weak municipal infrastructure, climate risks, and persistent governance shortcomings continue to raise the cost of doing business and weaken confidence. These constraints also place pressure on public finances by limiting growth, narrowing revenue potential, and increasing the demands on government.

Policy must therefore focus on implementation rather than ambition alone. Reliable energy, functioning rail and ports, water security, effective municipalities, capable institutions, and predictable regulation are essential conditions for investment and employment creation. Fiscal discipline should be combined with expenditure that protects core services and supports productive infrastructure.

Equally, South Africa must strengthen skills, digital capability, and innovation so that technological change supports wider participation rather than deepening inequality. A credible, coordinated, and sustained reform programme remains central to converting resilience into durable and inclusive economic progress.

Annexure A

MACROECONOMIC FORMULA REFERENCE SHEET

South African Economic Analysis & Growth Projections

Analytical Cycle: 2016 – 2025 — Base Year (S_{2015}): 2015 — End Year (S_{2025}): 2025 — Intervals: 10 Annual Growth Intervals

This official reference guide outlines the standard mathematical formulations used for analyzing sector-specific perfor-mance and overall growth dynamics within the South African economy.

- **Sector Value (S)** : Represents the economic metric (e.g., Gross Value Added, output, or revenue) of a specific industry or sector.
- **Total Value (T)** : Represents the total macroeconomic aggregate (e.g., Gross Domestic Product or total economic output).
- **Year Subscripts (t)** : Denotes specific years. S_{2015} refers to base-year value, and S_{2025} refers to final-year value of a 10-year analytical cycle (2016 – 2025).

Calculates cumulative percentage change of sector S over 10 years relative to base year.

$$\text{Growth (\%)} = \left(\frac{S_{2025}}{S_{2015}} - 1\right) \times 100$$

Determines proportional size of a sector relative to entire economy for any given year t.

$$\text{Share of Total (\%)} = \left(\frac{S_t}{T_t}\right) \times 100$$

Computes simple arithmetic mean value of a sector over the 10-year observation window.

$$\text{Average Value} = \frac{\sum_{t=2016}^{2025} S_t}{10}$$

Calculates Compound Annual Growth Rate (CAGR) across the 10 annual intervals of the cycle.

$$\text{AAGR (\%)} = \left[\left(\frac{S_{2025}}{S_{2015}}\right)^{\frac{1}{10}} - 1\right] \times 100$$

PART II: SECTOR CONTRIBUTION TO MACROECONOMIC GROWTH

Understanding a sector's specific impact on overall economic expansion requires decomposing growth into proportional and absolute contribution metrics.

Growth Contribution (%)

Measures a sector's absolute growth relative to total net growth of the entire economy. It represents the sector's share of aggregate expansion.

$$\text{Contribution (\%)} = \left(\frac{S_{2025} - S_{2015}}{T_{2025} - T_{2015}}\right) \times 100$$

Interpretation: If overall economy grew by R100 billion and Sector S grew by R25 billion, its growth contribution is 25%.

Growth Contribution (pp)

Expresses a sector's impact on the overall growth rate of the economy. It scales the sector's contribution by overall economic growth rate.

$$\text{Contribution (pp)} = \left(\frac{S_{2025} - S_{2015}}{T_{2025} - T_{2015}}\right) \times \text{GDP Growth (\%)}$$

Interpretation: Directly attributes a portion of total economic growth rate (e.g., of 30.0% aggregate growth, Sector S contributed 4.50 pp).

Annexure B

South African Economic Growth Projections

GDP forecasts for 2026 - 2027 by institution

Institution	2026	2027	Average
Quantec	1.3%	2.3%	1.8%
National Treasury	1.2%	1.6%	1.4%
South African Reserve Bank	1.2%	1.7%	1.5%
Bureau for Economic Research	1.3%	1.4%	1.4%
World Bank	1.0%	1.5%	1.3%
Western Cape Provincial Treasury	1.3%	1.2%	1.3%
International Monetary Fund	1.0%	1.3%	1.2%

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2

The Western Cape Economy

The Western Cape economy continued to demonstrate resilience in 2025 despite a more uncertain global and domestic environment. Rising geopolitical tensions, changing trade dynamics and persistent infrastructure constraints continued to shape economic activity, yet the Province remained one of South Africa's strongest regional economies, supported by its diversified economic base, export-oriented industries and resilient tourism sector.

The Province continued to outperform the national economy across several key indicators, including economic growth and GDP per capita. While challenges remain, particularly around logistics, infrastructure and investment, encouraging developments in renewable energy, improving business confidence and continued export diversification have strengthened the Province's competitiveness. Together, these developments allow the Western Cape to navigate global and local uncertainty while supporting sustainable long-term economic growth.



THE WESTERN CAPE ECONOMY

The Western Cape economy grew by 1.4% in 2025, outperforming the national economy



3rd-largest provincial economy

Exports Remain a Key Strength

Western Cape merchandise exports grew by 5.5% in 2025

Export composition (2025):

- Manufacturing: **55.2%**
- Agriculture: **37.1%**
- Mining: **7.7%**

Strongest sector growth (2016 - 2025):

- Mining: **20.7%**
- Agriculture: **10.3%**
- Manufacturing: **2.4%**

The Western Cape has a Strong Services-Based Economy

Finance remains the largest sector in the Western Cape economy

FINANCE

34.5%

of provincial GDP (2025)

- Manufacturing 13.8%
- Trade 13.2%
- Transport 11.0%

Finance and Agriculture Drove Growth

Finance and Agriculture were the largest contributors to provincial growth in 2025

FINANCE	AGRICULTURE
1.9% GROWTH	16.2% GROWTH
CONTRIBUTION 0.6 percentage points	CONTRIBUTION 0.6 percentage points

Economic Growth is Increasingly Dispersed Across the Province

Cumulative GDP growth, 2016 – 2025:

Overberg:	16.2%
Cape Winelands:	14.3%
West Coast:	13.3%
Cape Metro:	7.3%
Central Karoo:	6.5%

Moderate Growth Expected Over the Medium Term

Provincial Treasury forecast:

2026

1.6%

2027

1.6%



2.1 Developments in the Western Cape provincial economy

The Western Cape economy continues to distinguish itself through its diversified and services-oriented economic structure. In 2025, the Province accounted for 14.3 per cent of South Africa's gross domestic product (GDP)[1], reinforcing its position as the country's third-largest provincial economy behind Gauteng and KwaZulu-Natal. The Province's economic structure remains distinctive, with comparatively large finance, manufacturing and transport sectors, a globally recognised tourism offering and an export-oriented agricultural sector.

Compared with the national economy, the Western Cape's GDP composition is more concentrated in the finance sector (34.5 versus 27.2 per cent), transport sector (11.0 versus 9.0 per cent), manufacturing sector (13.8 versus 12.1 per cent) and agriculture sector (4.4 versus 3.2 per cent). The mining sector's contribution is substantially smaller (0.1 versus 4.8 per cent).

The Western Cape economy is estimated to have expanded by 1.4 per cent in 2025, a notable improvement from the 0.7 per cent growth recorded in 2024. Although economic activity strengthened, growth remained uneven across sectors, reflecting continued structural challenges (particularly within the construction sector) alongside improving conditions in key sectors such as agriculture.

The largest contribution to provincial economic growth came from the finance sector (0.6 percentage points). Despite recording moderate growth of 1.9 per cent, the sector's substantial share of provincial GDP meant it remained the principal driver of economic expansion. The sector continues to benefit from sustained investment in professional services, digital technologies and financial intermediation, reinforcing its role as the backbone of the Western Cape economy.

The agriculture sector also made a significant contribution, adding 0.6 percentage points to provincial growth after expanding by 16.2 per cent in 2025. This strong recovery follows the severe contraction experienced in 2023 and 2024, when widespread flooding and adverse weather conditions disrupted agricultural production across several districts. The rebound highlights both the resilience of the Province's agricultural sector and its continued importance to rural economies and export performance.

The trade sector contributed 0.3 percentage points to economic growth, supported by improving household demand and tourism activity, while the transport sector made a modest positive contribution of 0.1 percentage points. Together, these sectors reflect the continued strength of the Western Cape's services economy and its role as South Africa's leading logistics and tourism hub.



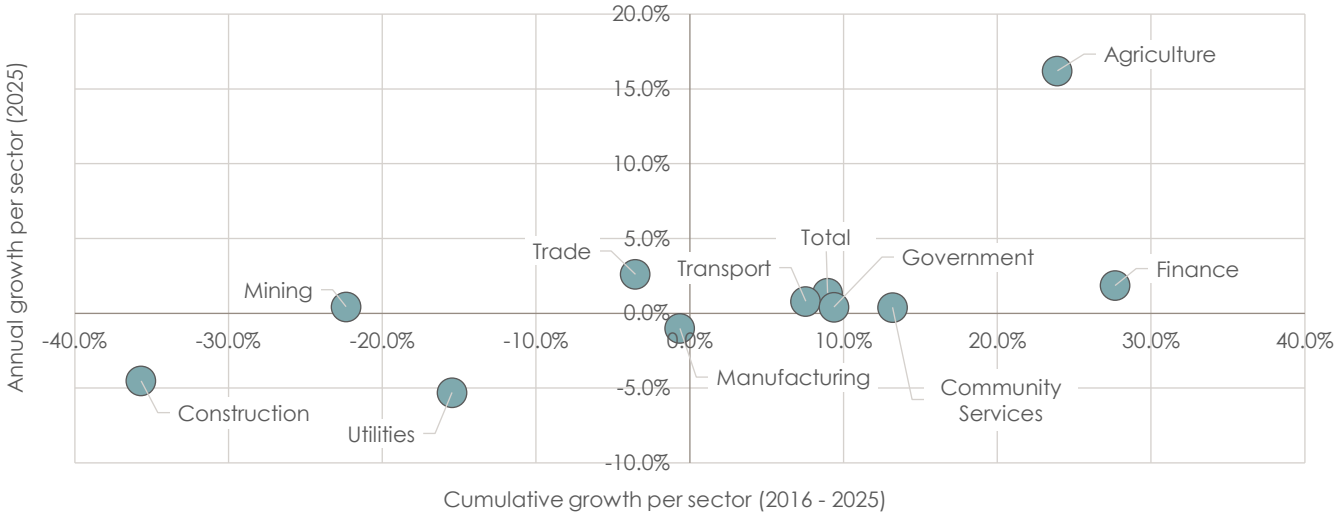
[1] GDP measured in constant 2015 basic prices

However, several sectors continued to constrain economic growth. The construction sector contracted by 4.5 per cent, subtracting 0.2 percentage points from overall growth, as weak fixed investment and elevated building costs continued to suppress activity. The utilities sector also remained under pressure, declining by 5.3 per cent, while the manufacturing sector contracted by 1.0 per cent, affected by port and logistics constraints at the Port of Cape Town, rising electricity and input costs, skills shortages and import competition.

Figure 2.1 combines each sector's annual growth performance in 2025 with its cumulative growth over the past decade (2016 to 2025), providing a broader perspective on the Province's economic performance. While the annual growth rates capture short-term changes in economic activity, the cumulative growth illustrates the underlying structural trajectory of each sector over time. Together, these measures distinguish sectors that are experiencing sustained long-term expansion from those undergoing temporary recoveries or persistent structural decline.

The figure highlights the continued dominance of the finance sector, which recorded cumulative growth of 27.7 per cent over the decade, the highest growth of any sector, while expanding by 1.9 per cent in 2025. Despite moderate annual growth relative to some other sectors, finance remains the Province's principal engine of economic expansion due to its substantial share of provincial output and its consistently strong long-term performance.

Figure 2.1 Annual GDP growth (2025) and cumulative GDP growth by sector (2016 - 2025)



Source: Quantec, Own calculations

The agriculture sector recorded the strongest annual growth in 2025 at 16.2 per cent, contributing significantly to the Province's improved economic performance. Importantly, this recovery was not merely a rebound from the severe weather-related contraction experienced in 2023 and 2024, but reinforced the sector's longer-term resilience, with cumulative growth reaching 23.9 per cent over the past decade. The strong performance demonstrates the sector's ability to recover from climate-related shocks while continuing to expand over the longer term.

By contrast, the construction sector remains the Province's weakest-performing industry. Although it has shown periods of recovery during the past decade, cumulative output has declined by 35.7 per cent since 2016, with the sector contracting by 4.5 per cent in 2025. Similarly, the utilities sector continued its downward trend, recording a cumulative decline of 15.5 per cent alongside an annual contraction of 5.3 per cent in 2025. These results suggest that both sectors continue to face structural challenges rather than temporary cyclical weakness.

Other sectors occupy a middle ground. Transport, community services, and government services all recorded positive cumulative growth over the decade and continued to expand modestly during 2025. The manufacturing sector, however, presents a more nuanced picture. While cumulative output has remained broadly unchanged over the past decade, the sector contracted by 1.0 per cent in 2025, reflecting continued pressures from subdued domestic demand, rising operating costs and ongoing logistical constraints.

Overall, the comparison between recent and long-term performance indicates that the Western Cape's economic growth continues to be driven by a relatively small number of high-performing sectors, most notably finance and agriculture. At the same time, persistent weaknesses in construction, utilities and manufacturing continue to constrain the Province's broader growth potential. The divergence in sectoral performance highlights the importance of improving infrastructure, stimulating investment and enhancing productivity to achieve more broad-based and sustainable economic growth.

Provincial comparison of economic growth

While the Western Cape's sectoral composition explains much of its economic resilience, it is equally important to assess how the Province has performed relative to the rest of South Africa. Figure 2.2 compares cumulative provincial GDP growth over the five-year period from 2021 to 2025, capturing the pace of economic recovery following the COVID-19 recession.

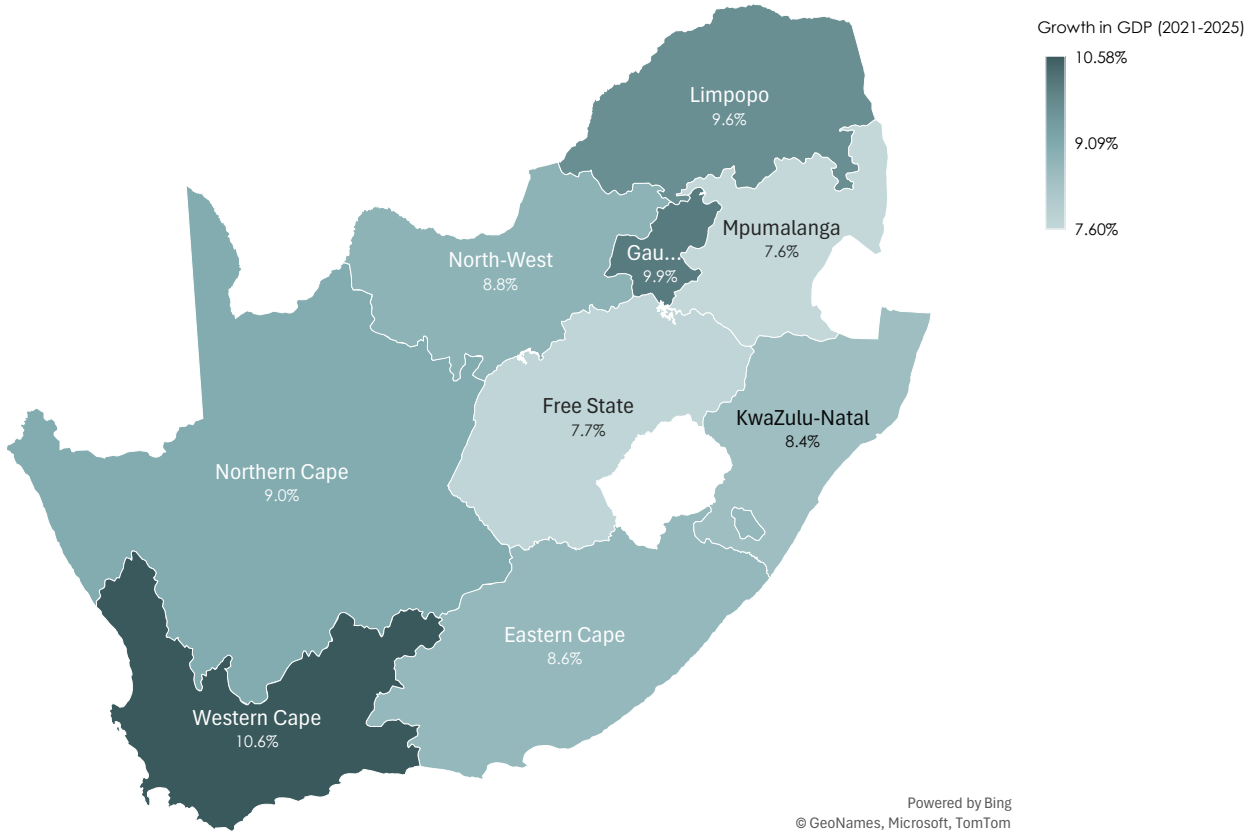
Only Gauteng (33.7 per cent) and KwaZulu-Natal (16.6 per cent) accounted for a larger share of South Africa's GDP than the Western Cape in 2025. Despite its already large economic base, the Province recorded the strongest cumulative economic growth of all nine provinces over the five-year period, with GDP expanding by 10.6 per cent. Gauteng recorded the second-highest cumulative growth (9.9 per cent), followed by Limpopo (9.6 per cent), Northern Cape (9.0 per cent) and North West (8.8 per cent). At the lower end of the spectrum, Mpumalanga (7.6 per cent) and the Free State (7.7 per cent) recorded the weakest cumulative growth, although all provinces experienced positive economic expansion over the period.

The Western Cape also recorded one of the strongest annual growth rates in 2025, with the provincial economy expanding by 1.4 per cent. Although KwaZulu-Natal marginally exceeded this performance (1.5 per cent), the Western Cape substantially outperformed Gauteng (1.0 per cent) and most of the remaining provinces. Sustaining above-average growth while accounting for more than one-seventh of national economic output highlights the Province's continued competitiveness and resilience in a challenging domestic environment.

Positive net migration, comparatively strong business confidence and a diverse services economy have further strengthened the Province's capacity to recover more rapidly than many other regions following the pandemic.

Although differences in provincial growth rates may appear modest over a five-year period, they compound over time and have important implications for employment creation, household incomes and provincial competitiveness. The Western Cape's position as the fastest-growing provincial economy over the past five years reinforces its role as one of South Africa's primary engines of economic growth and demonstrates the benefits of maintaining a diversified, investment-oriented economy capable of adapting to external shocks.

Figure 2.2 Cumulative provincial GDP growth, 2021 - 2025 (%)



Source: Quantec, Own calculations

Impact of the Growth for Jobs (G4J) Strategy

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.

Three and a half years into implementation, indicators have shown mixed progress. GDP growth and employment have strengthened, but face renewed challenges. Business confidence has generally trended upwards but has faltered in light of recent global developments in the Middle East. Exports are rising despite weakened US trade ties, but private investment remains stubbornly low.

It is important to note that the indicators tracked through the Impact Pulse1 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	-1.4% q-o-q (4Q2022) +2.3% y-o-y (4Q2022)	-0.2% q-o-q (2Q2026) +0.8% y-o-y (2Q2026)	2.5–3% annual growth by 2030; modest early acceleration
Value of GDP	R655 bn (4Q2022)	R680 bn (2Q2026)	R770 – R800 bn by 2030
Employment	2 596 000 (4Q2022)	2 835 000 (2Q2026)	+220k – 300k net new jobs (above normal growth rate) by 2030
Unemployment Rate	22.5% (4Q2022)	19.5% (2Q2026)	Lower than baseline
Youth NEETs	766 708 (4Q2022)	775 687 (2Q2026)	Substantive improvement
Youth Unemployment	32.9% (4Q2022)	27.1% (2Q2026)	Substantive improvement
Value of Exports	R43.1 bn per quarter (4Q2022)	R56.7 bn per quarter (2Q2026)	Between R290 billion and R320 billion annually by 2030
Total Cargo through Ports	12 657 160 tons (4Q2022)	16 680 598 tons (2Q2026)	Positive annual growth
Targeted Sector GVA Growth	-2.1% q-o-q (4Q2022) +2.6% y-o-y (4Q2022)	-0.6% q-o-q (2Q2026) +0.6% y-o-y (2Q2026)	1.5% average annual growth by 2030
Business Confidence Index	34 points (4Q2022)	46 points (3Q2026)	≥ 50 index points
*Number of SMMEs	331 993 (4Q2023)	353 526 (2Q2026)	Steady positive annual growth
Value of Building Plans Completed	R5.7 bn (4Q2022)	R3.6 bn (2Q2026)	Steady positive annual growth
GFCF as % of GDP	13.1% (2022)	12.3% (2025)	Higher than baseline
GDP per Capita	R89 192 (2022)	R88 681 (2025)	Constant. GDP growth needs to exceed population growth
*Multi-factor Productivity Index	103.1 (2022)	105.5 (2025)	Steady positive annual growth
Business R&D spend as a % of GDP (BERD)	0.37% (2022/23)	0.37% (2023/24)	Consistent positive annual growth
Trust in Government (National)	26% (2022)	33% (2026)	≥ 60% (indicates trust)
Blue Drop Rating	89% (2014)	69.3% (2023)	Steady positive improvement
Greenhouse Gas Emissions per R' million GDP	72 tCO_2e (2021)	56 tCO_2e (2022)	CO_2 emissions per GDP reduced by 10% by 2030
Small scale energy (SSEG) and municipal generation (MW)	536 MW (2023/24)	997 MW (YTD 2026)	Steady positive annual growth

Source: Western Cape Department of Economic Development and Tourism

Early outcomes, particularly within the provincial labour market, suggest that the G4J Strategy is beginning to improve employment opportunities within the Western Cape. However, given the transversal nature of the Impact Pulse indicators, both progress and setbacks should be considered in a broader context. This includes the influence of public and private sector interventions, as well as developments in the global geopolitical environment.

[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. Indicators marked with an asterisk may undergo revisions in the coming months.

Artificial intelligence is transforming South Africa's financial sector

Artificial intelligence (AI) is rapidly reshaping South Africa's financial services sector, with banks increasingly integrating AI into their core operations to improve productivity, enhance customer experience and strengthen risk management. According to the Financial Sector Conduct Authority (FSCA) and the Prudential Authority (PA) (2025), 52 per cent of South African banks have already deployed AI technologies, while 50 per cent of payment providers are using AI within their operations. Banks also reported the highest planned investment in AI, with more than half expecting to invest over R20 million in AI capabilities. As the Western Cape's finance sector remains the Province's largest contributor to economic activity, continued investment in AI and digital technologies will be critical to maintaining its competitiveness and supporting future growth.

AI is increasingly being used for fraud detection, anti-money laundering, credit risk assessment, customer service, regulatory compliance and operational efficiency. One of the strongest drivers of AI adoption has been the rapid increase in financial crime. Commercial crime has almost doubled over the past decade, while digital banking fraud incidents increased by 86 per cent during 2024, resulting in reported losses exceeding R1.8 billion (Ntuli, 2026). Traditional rules-based fraud detection systems are increasingly unable to keep pace with sophisticated cybercriminals, who use automation and AI to exploit vulnerabilities in digital banking platforms.

In response, financial institutions are increasingly deploying agentic AI: autonomous AI systems capable of analysing transactions, identifying suspicious behaviour and responding to potential fraud in real time. Unlike traditional monitoring systems that rely on predefined rules, these AI systems continuously learn from new data, allowing them to detect emerging fraud patterns, reduce false positives and significantly shorten response times. By automating routine investigations and providing analysts with comprehensive case information, AI also enables human specialists to focus on more complex cases, improving both operational efficiency and customer experience.

However, AI adoption also introduces risks, including data privacy and cybersecurity vulnerabilities, biased or inaccurate outputs, limited transparency in automated decision-making and the potential for AI systems to amplify financial risks. Cybercriminals are also increasingly using AI to automate fraud and exploit vulnerabilities. These risks highlight the need for robust data governance, effective risk management and appropriate human oversight.

Recognising both the opportunities and risks associated with AI, the FSCA and PA published a joint report in 2025 outlining governance expectations for the responsible use of artificial intelligence across the financial sector. Although not legally binding, the report signals that effective AI governance, transparency and oversight are becoming increasingly important as AI adoption accelerates across South Africa's financial services industry.

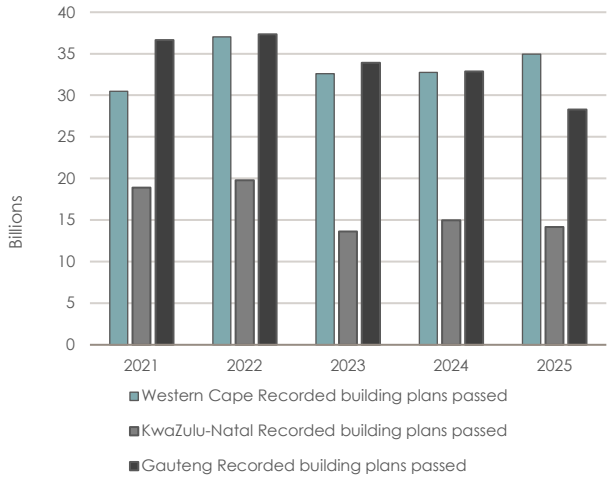


Building activity remains resilient despite weak construction GDP

Although the construction sector was the weakest-performing sector in the Western Cape economy over the past decade, municipal building statistics present a markedly different picture. The sustained strength in the value of building plans approved points to continued resilience in parts of the construction sector, although these indicators provide only a partial view of overall construction activity and are therefore not directly comparable with provincial GDP estimates.

Figures 2.3 and 2.4 compare the value of building plans approved and buildings completed across the Western Cape, Gauteng and KwaZulu-Natal between 2021 and 2025. These three provinces account for almost two-thirds of South Africa's economic output and together provide a useful benchmark for comparing construction activity.

Figure 2.3 Provincial comparison of building plans approved, 2021 - 2025 (R billion, current prices)



Source: Quantec, Own calculations

Figure 2.4 Provincial comparison of buildings reported as completed, 2021–2025 (R billion, current prices)



Source: Quantec, Own calculations

At first glance, the building activity indicators appear inconsistent with the contraction recorded in the construction sector's GDP. While the value of buildings completed increased in 2022, 2024 and 2025, the construction sector remained in recession in real terms over the same period. This difference arises because building plans and completed buildings measure activity within the formal building industry, whereas construction GDP captures the broader construction sector, including civil engineering works, infrastructure development and maintenance activities. Furthermore, the building statistics are reported in current prices, while GDP is measured in constant 2015 prices, meaning that inflation in construction costs may contribute to higher nominal building values despite weaker real economic activity. In addition, provincial GDP is estimated using regional allocation techniques based on national accounts, which may not fully capture regional differences in construction activity.

A similar distinction explains why the Western Cape records a much larger share of national building plans and completed buildings relative to its share of construction GDP when compared with Gauteng and KwaZulu-Natal. The Province has a particularly strong residential and mixed-use property market, resulting in high levels of formal building activity. However, construction GDP also reflects large-scale civil engineering and infrastructure projects, which are more prominent in other provinces. Consequently, building activity should be interpreted as a complementary indicator of construction performance rather than a direct proxy for the sector's contribution to GDP.

The value of building plans approved in the Western Cape increased from R30.5 billion in 2021 to R35.0 billion in 2025, representing growth of almost 15 per cent over the four-year period. By comparison, Gauteng experienced a decline of approximately 23 per cent, with approved building plans falling from R36.6 billion to R28.3 billion, while KwaZulu-Natal recorded a decline of around 25 per cent over the same period. By 2025, the Western Cape had overtaken Gauteng as the province recording the highest value of building plans approved, despite Gauteng having an economy more than twice the size of the Western Cape's.

Although the value of completed buildings in the Western Cape declined from the higher levels recorded in 2021 and 2022, it remained comparatively strong relative to the other major provinces. In 2025, buildings completed amounted to R17.8 billion, substantially exceeding KwaZulu-Natal (R8.7 billion) and approaching Gauteng's R19.2 billion.

An additional consideration is the relationship between building plans approved and buildings completed. Delays associated with pre-construction planning, regulatory approvals and project implementation mean that increases in building plans approved are often reflected in

completed buildings after a considerable time lag (Nyaga Githae et al., 2024). Consequently, the value of buildings completed in a particular year should not be interpreted as a direct conversion of the building plans approved during the same year. Nevertheless, comparing these indicators provides a useful indication of the construction pipeline. The consistently high value of approved building plans in the Western Cape suggests that a substantial pipeline of future construction activity remains in place, supporting continued investment and economic activity over the medium term.

The strength of this pipeline is reinforced by the most recent municipal building statistics. During the first four months of 2026, the Western Cape continued to record the highest value of building plans approved among the three largest provincial economies. At the same time, the value of completed buildings remained broadly comparable with Gauteng despite the significant difference in the size of their economies. While these data cover only part of the year and should therefore be interpreted with caution, they provide an early indication that the momentum in construction activity observed during recent years has continued into 2026.

To provide additional insight into the level of approved development activity, Table 2.1 compares the value of building plans approved with the value of buildings completed during 2025. These indicators should be interpreted independently, as building plans approved and buildings completed generally relate to different cohorts of projects. Consequently, the comparison should not be interpreted as a conversion rate, but rather as an indication of the relative scale of approved building activity compared with current completion activity across provinces.

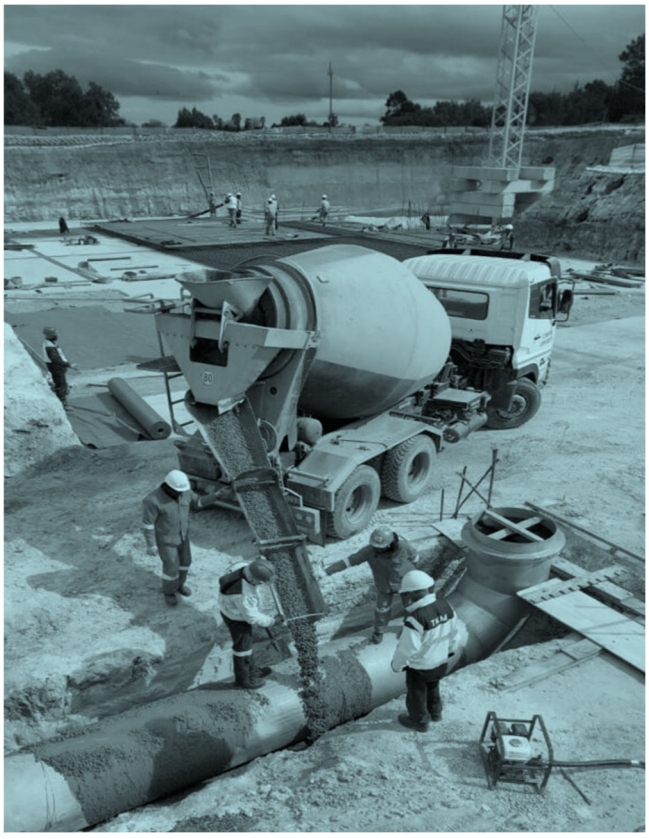
Table 2.1 Indicative building activity pipeline, 2025

Province	Building plans approved (R million)	Buildings completed (R million)	Approved-to-completed value ratio
Western Cape	34 952	17 777	**1.97**
Gauteng	28 269	19 242	**1.47**
KwaZulu-Natal	14 144	8 704	**1.62**

Source: Quantec, Own calculations

The Western Cape recorded the highest approved-to-completed value ratio among the three provinces, with the value of building plans approved in 2025 amounting to almost twice the value of buildings completed during the same year. While approved building plans and completed buildings do not represent the same projects, the comparison suggests that the Western Cape had a relatively larger stock of approved developments entering the construction pipeline than Gauteng and KwaZulu-Natal. This may support future construction activity as projects progress through the various stages of development, although the timing and completion of individual projects will depend on factors such as financing, market conditions and project complexity.

The apparent divergence between the building activity indicators and the construction sector's GDP performance highlights the complexity of measuring activity within the sector. Building plans approved and buildings completed provide an indication of the value of construction projects entering and progressing through the development pipeline, while construction GDP measures the value added generated by construction activity within a given year. As these indicators capture different aspects of the construction cycle, they may not necessarily move together over the short term. The sustained level of building approvals nevertheless points to continued development activity in the Province and suggests that construction demand remains supported, even though this has not yet been fully reflected in measured construction GDP.



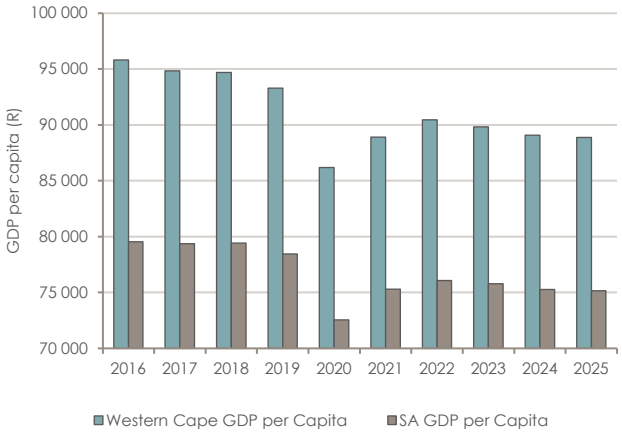
The Western Cape maintains a higher level of economic output per resident

GDP per capita measures the average economic output generated per resident and provides a broad indication of an economy's productivity and potential standard of living. Although it does not measure household income directly, higher GDP per capita is generally associated with greater economic productivity, stronger labour markets and higher levels of economic prosperity.

As shown in Figure 2.5, the Western Cape has consistently maintained a substantially higher GDP per capita than the national average over the past decade. In 2025, the Province's GDP per capita amounted to R88 863,

compared to R75 150 nationally, a difference of almost R14 000 per person. This reflects the Province's diversified economy, relatively high concentration of knowledge-intensive service sectors, and stronger levels of economic productivity.

Figure 2.5 GDP per capita in the Western Cape and South Africa, 2016 - 2025



Source: Quantec, Stats SA, Own calculations

Both the Western Cape and South Africa experienced a significant decline in GDP per capita during 2020 as the COVID-19 lockdown measures disrupted economic activity. In the Western Cape, GDP per capita declined from R93 270 in 2019 to R86 183 in 2020, while nationally it fell from R78 433 to R72 546 over the same period. Although both recovered in the years that followed, GDP per capita has moderated slightly since 2022 and remains below pre-pandemic levels.

Despite this moderation, the Western Cape has consistently maintained an output-per-person advantage over the national economy. The decline in GDP per capita since 2022 reflects, in part, the Province's strong population growth, with population increasing faster than real economic output over this period. However, inward migration should not be viewed solely as a constraint on economic performance. The movement of people to the Western Cape also reflects the Province's relative economic attractiveness and expands its working-age population and labour supply. Migrants may move to the Province in search of employment or in response to employment opportunities already available, and their participation in economic activity can therefore support provincial growth. The challenge is that population growth can place downward pressure on GDP per capita when economic output does not expand sufficiently quickly to offset the increase in the number of residents.

The continued GDP per capita premium nevertheless reflects the Western Cape's relatively strong productive base. Sustaining this advantage will depend on the Province's ability to maintain productivity growth, investment and employment alongside continued population growth.

Regional economic performance

Economic performance varied across the Western Cape's districts in 2025, reflecting differences in industrial structure and the extent to which individual regions benefited from the strong recovery in agriculture. While all districts recorded positive economic growth during the year, the pace of expansion differed considerably, with the rural districts generally outperforming the metropolitan economy. Table 2.2 presents district GDP growth rates together with the contribution of each sector to overall economic growth in 2025 and over the period 2016 to 2025.

The West Coast District recorded the strongest economic performance in 2025, with GDP expanding by 4.0 per cent, substantially exceeding its long term average annual growth rate of 1.3 per cent. The District's strong performance was primarily driven by the recovery in agriculture, which contributed 3.7 percentage points to overall growth following a 17.5 per cent expansion in agricultural output. Positive contributions from the finance (0.4 percentage points) and trade (0.3 percentage points) sectors further supported economic activity.

The Overberg District recorded the second-highest growth rate at 2.6 per cent, followed by the Cape Winelands (2.1 per cent), Garden Route (1.8 per cent) and Central Karoo (1.8 per cent). Growth in these districts was similarly supported by strong agricultural performance, with agriculture contributing between 0.7 and 2.0 percentage points to overall GDP growth. The finance sector also remained an important source of economic expansion across each district, reflecting its continued role as a key driver of the provincial economy.

Although the Cape Metro recorded the lowest growth rate among the districts (1.0 per cent), it expanded above its long-term average annual rate of 0.7 per cent. As the Province's largest and most diversified economy, accounting for most of the provincial economic output, the Cape Metro's growth was driven primarily by the finance sector, which contributed 0.6 percentage points to overall GDP growth, supported by positive contributions from trade (0.3 percentage points) and agriculture (0.3 percentage points). However, contractions in construction, manufacturing and utilities moderated the pace of economic expansion.

Table 2.2 GDP at basic prices per sector and Western Cape districts, 2016 - 2025

GDP Growth (%)

Sector	Cape Metro		West Coast		Cape Winelands		Overberg		Garden Route		Central Karoo	
	2025	2016 - 2025 (Ave)	2025	2016 - 2025 (Ave)	2025	2016 - 2025 (Ave)	2025	2016 - 2025 (Ave)	2025	2016 - 2025 (Ave)	2025	2016 - 2025 (Ave)
Total	**1.0%**	**0.7%**	**4.0%**	**1.3%**	**2.1%**	**1.4%**	**2.6%**	**1.5%**	**1.8%**	**1.2%**	**1.8%**	**0.7%**
Agriculture	20.8%	3.1%	17.5%	3.0%	12.5%	2.4%	13.2%	1.6%	14.0%	1.9%	12.1%	3.1%
Mining	1.5%	(1.9%)	(2.3%)	(2.6%)	1.5%	(1.9%)	1.2%	(1.6%)	1.0%	(2.9%)	1.7%	(1.2%)
Manufacturing	(0.7%)	(0.1%)	(1.5%)	1.5%	(3.1%)	(1.0%)	(0.1%)	2.3%	(0.8%)	0.8%	(2.2%)	0.4%
Utilities	(5.2%)	(1.7%)	(6.3%)	(3.0%)	(4.9%)	(0.4%)	(5.5%)	(1.6%)	(5.6%)	(1.9%)	(4.8%)	(0.6%)
Construction	(4.4%)	(4.2%)	(5.7%)	(4.8%)	(3.8%)	(2.7%)	(4.2%)	(3.9%)	(5.8%)	(5.5%)	(7.0%)	(6.0%)
Trade	2.6%	(0.5%)	2.7%	0.1%	3.1%	0.8%	3.0%	0.6%	2.4%	(0.5%)	(0.2%)	(1.7%)
Transport	0.7%	0.8%	(1.0%)	(0.2%)	1.6%	2.1%	1.5%	2.2%	1.5%	1.7%	(0.9%)	(0.4%)
Finance	1.6%	2.2%	2.6%	3.0%	2.9%	3.9%	2.6%	3.2%	2.6%	3.3%	1.3%	2.5%
Government	0.4%	1.0%	1.4%	1.3%	0.6%	0.6%	(0.3%)	0.2%	-0.1%	0.1%	1.6%	1.7%
Community Services	0.1%	1.0%	0.9%	2.1%	1.0%	1.7%	1.9%	2.6%	1.4%	1.9%	0.4%	1.5%

Contribution to GDP growth (%points)

Sector	Cape Metro		West Coast		Cape Winelands		Overberg		Garden Route		Central Karoo	
	2025	2016 - 2025 (Ave)	2025	2016 - 2025 (Ave)	2025	2016 - 2025 (Ave)	2025	2016 - 2025 (Ave)	2025	2016 - 2025 (Ave)	2025	2016 - 2025 (Ave)
Total	**1.0%**	**0.7%**	**4.0%**	**1.3%**	**2.1%**	**1.4%**	**2.6%**	**1.5%**	**1.8%**	**1.2%**	**1.8%**	**0.7%**
Agriculture	0.3%	0.0%	3.7%	0.6%	1.1%	0.2%	1.3%	0.1%	0.7%	0.1%	2.0%	0.4%
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	(0.1%)	0.0%	(0.3%)	0.3%	(0.4%)	(0.2%)	0.0%	0.3%	(0.1%)	0.1%	(0.1%)	0.0%
Utilities	(0.1%)	0.0%	(0.1%)	(0.1%)	(0.1%)	0.0%	(0.1%)	0.0%	(0.1%)	0.0%	(0.2%)	0.0%
Construction	(0.1%)	(0.2%)	(0.2%)	(0.2%)	(0.2%)	(0.1%)	(0.2%)	(0.2%)	(0.2%)	(0.3%)	(0.2%)	(0.3%)
Trade	0.3%	(0.1%)	0.3%	0.0%	0.4%	0.1%	0.4%	0.1%	0.3%	(0.1%)	0.0%	(0.2%)
Transport	0.1%	0.1%	(0.1%)	0.0%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%	(0.1%)	(0.1%)
Finance	0.6%	0.8%	0.4%	0.5%	0.8%	1.0%	0.8%	0.8%	0.9%	1.1%	0.2%	0.4%
Government	0.0%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.2%
Community Services	0.0%	0.1%	0.1%	0.2%	0.1%	0.2%	0.2%	0.3%	0.2%	0.2%	0.1%	0.3%

Source: Quantec, Own calculations

The district-level results reinforce the broader provincial trends discussed earlier in this chapter. The recovery of the agriculture sector following the adverse weather conditions experienced in 2023 and 2024 provided a significant boost to economic activity, particularly in districts where agriculture forms a larger share of the local economy. At the same time, the finance sector continued to make a relatively large positive contribution to growth across every district, demonstrating its importance as the Province's most consistent source of economic expansion.

Despite the improved growth performance, several sectors continued to constrain economic activity across the Province. The construction sector remained a drag on growth in every district, reflecting the persistent challenges facing the Sector despite evidence of growing economic activity through buildings completed in 2025. Manufacturing also contracted in every district in 2025, while utilities recorded negative growth across all regions. These common constraints highlight the continued structural challenges facing the provincial economy, notwithstanding the broad-based recovery observed during the year.

While the previous analysis highlights how districts performed during 2025, these differences are largely explained by variations in their underlying economic structure. Table 2.3 shows the contribution of each sector to district GDP in 2025, illustrating the sectors that underpin economic activity across the Province.

While the finance, trade and manufacturing sectors dominate the Cape Metro's economy, the rural districts are generally more reliant on the agriculture sector.

The Herfindahl-Hirschman Index (HHI) provides a useful measure of economic diversification by assessing the concentration of economic activity across sectors. It is calculated by summing the squared shares of each sector's contribution to district GDP. Lower HHI values indicate a more diversified economy, where economic activity is spread across a wider range of sectors, while higher values reflect greater economic concentration and increased reliance on a smaller number of industries.

Based on this measure, the Cape Metro recorded the highest HHI (0.20), indicating that it has the Province's most specialised economy. This reflects the dominance of the finance sector, which accounted for 36.9 per cent of district GDP in 2025, supported by relatively large manufacturing, trade and transport sectors. Although the Metro has a broad economic base, the concentration of activity in financial and business services results in a higher level of sectoral concentration than elsewhere in the Province.

The Garden Route recorded the second-highest HHI (0.19), reflecting the important role of finance together with tourism-related trade and accommodation activities. By contrast, the West Coast, Cape Winelands and Overberg each recorded an HHI of approximately 0.16, while the Central Karoo recorded the lowest value (0.15). These results indicate that the rural districts have relatively more diversified economic structures, with economic activity distributed more evenly across agriculture, manufacturing, trade, finance, government and community services.

Overall, the HHI results suggest that, despite the Cape Metro's larger and more complex economy, it is also the Province's most specialised. Conversely, the rural districts exhibit lower levels of sectoral concentration, providing a more balanced distribution of economic activity across industries.

The Cape Winelands and Overberg maintain more balanced economic structures, with significant contributions from finance, agriculture, manufacturing and trade. The Cape Winelands derives more than a quarter (29.1 per cent) of its GDP from finance, while agriculture contributes 10.0 per cent, reflecting the district's strong agri-processing, wine production and tourism industries. Similarly, the Overberg combines a sizeable finance sector (28.9 per cent) with relatively strong trade (14.9 per cent), manufacturing (12.8 per cent) and agriculture (11.1 per cent) sectors, supporting a diversified regional economy.

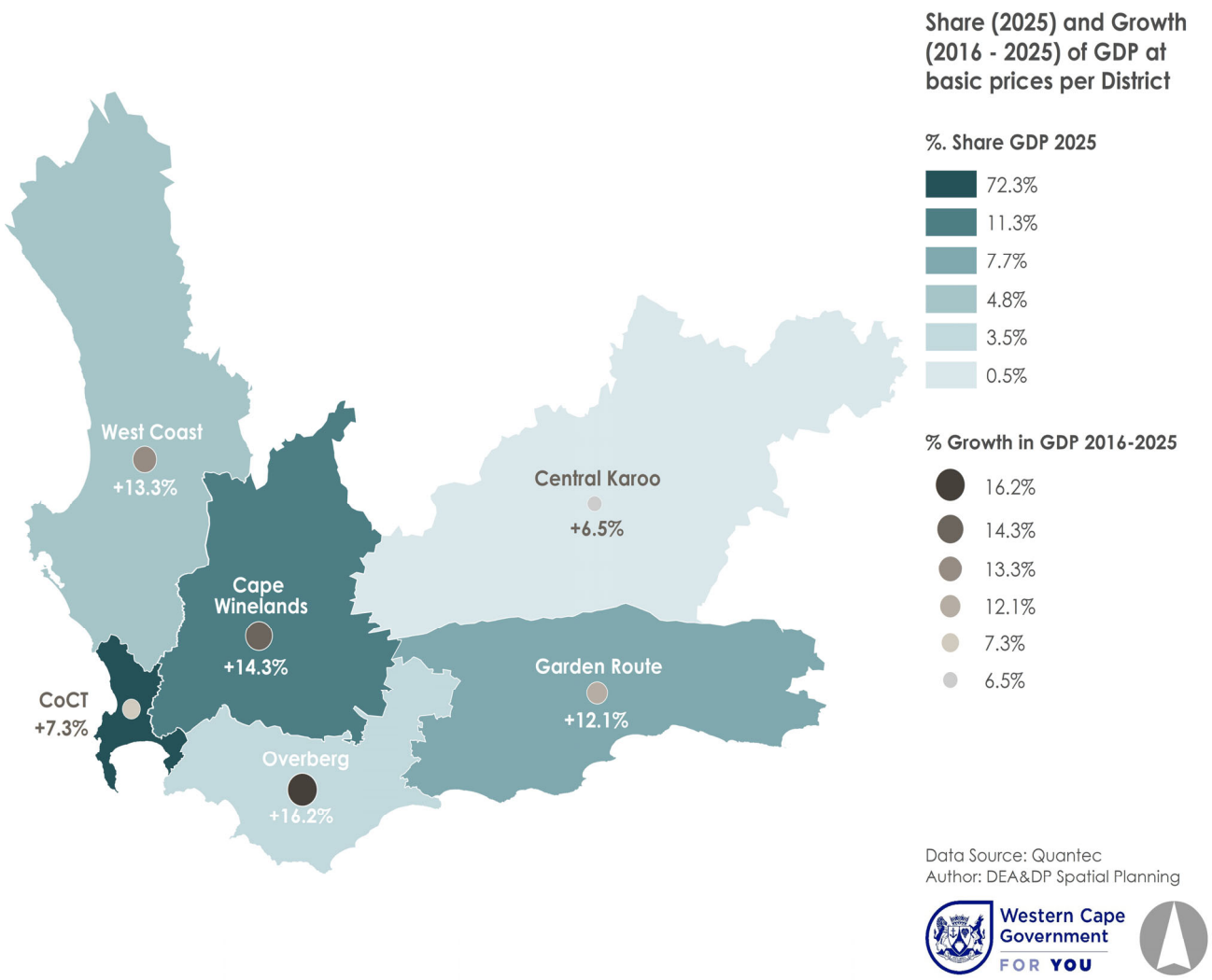
Table 2.3 Sector contribution to total GDP of each district in 2025

Sector	Cape Metro	West Coast	Cape Winelands	Overberg	Garden Route	Central Karoo
Agriculture	1.7%	24.0%	10.0%	11.1%	5.6%	17.9%
Mining	0.1%	0.6%	0.1%	0.1%	0.2%	0.0%
Manufacturing	13.8%	18.4%	13.5%	12.8%	12.7%	2.5%
Utilities	1.9%	1.3%	1.5%	1.6%	1.9%	4.1%
Construction	3.1%	2.8%	4.0%	4.4%	3.4%	2.8%
Trade	12.9%	12.7%	14.6%	14.9%	13.6%	11.0%
Transport	11.6%	6.9%	9.4%	10.5%	10.3%	13.7%
Finance	36.9%	16.9%	29.1%	28.9%	35.2%	15.5%
Government	6.0%	6.0%	5.5%	4.5%	5.1%	12.5%
Community services	12.0%	10.5%	12.4%	11.2%	11.9%	19.9%

Source: Quantec, Own calculations

While the HHI highlights differences in the degree of economic diversification across districts, long-term growth outcomes also reflect how these economies have responded to changing economic conditions. Although the Cape Metro remained the Province's largest regional economy, accounting for 72.3 per cent of Western Cape GDP in 2025, it was not the fastest-growing district over the past decade (Figure 2.6). Between 2016 and 2025, the Overberg recorded the strongest cumulative GDP growth (16.2 per cent), followed by the Cape Winelands (14.3 per cent), the West Coast (13.3 per cent) and the Garden Route (12.1 per cent). By comparison, the Cape Metro expanded by 7.3 per cent, while the Central Karoo recorded the weakest growth (6.5 per cent).

Figure 2.6 Share (2025) and growth (2016 - 2025) of GDP at basic prices per district in the Western Cape

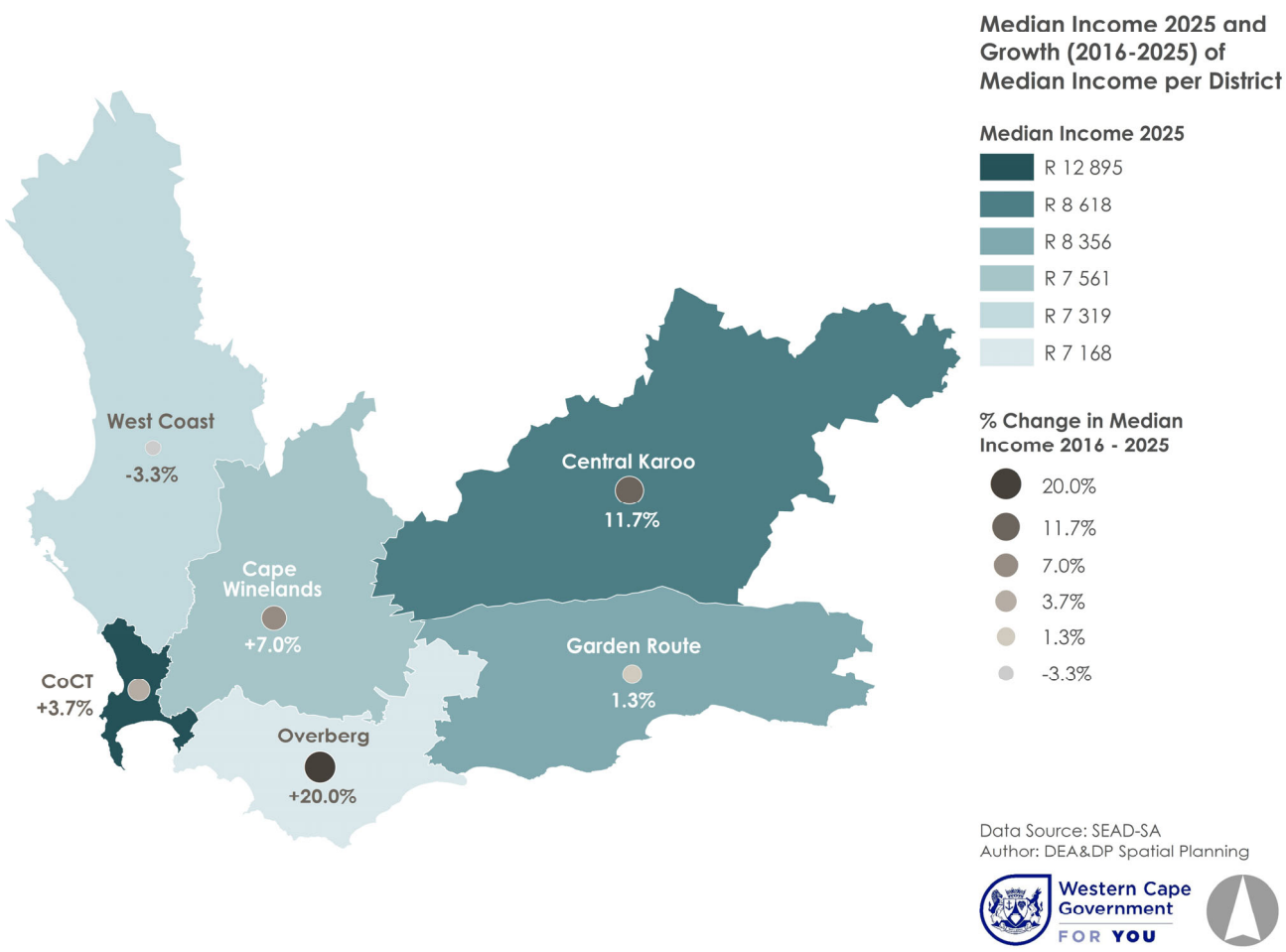


The stronger growth recorded in several of the Province's smaller districts suggests that economic activity has become increasingly dispersed beyond the metropolitan core. Although these districts contribute a relatively small share of provincial output, their stronger long-term growth reflects differences in sectoral performance across districts, particularly the recovery in agriculture. Nevertheless, the Cape Metro continues to underpin provincial economic performance owing to its substantially larger economic base.

The Cape Metro recorded the highest median monthly household income in 2025 (R12 895), followed by the Central Karoo (R8 618) and Garden Route (R8 356). Incomes were lower in the Cape Winelands (R7 561), West Coast (R7 319) and Overberg (R7 168). Over the period 2016 - 2025, the Overberg recorded the largest increase (20.0 per cent), followed by the Central Karoo (11.7 per cent) and Cape Winelands (7.0 per cent). Growth was more modest in the Cape Metro (3.7 per cent) and Garden Route (1.3 per cent), while the West Coast recorded a decline of 3.3 per cent.

These differences show that stronger economic growth does not always translate into higher incomes for the typical household. The type of jobs created and how income is distributed also shape household well-being.

Figure 2.7 Median monthly income per region in 2025 and growth (2016 - 2025)



When economic growth does not translate directly into higher household incomes

The stronger economic growth recorded in several of the Western Cape's rural districts has not always been accompanied by equivalent increases in median household income. This reflects the fact that growth in economic output and household income is related, but does not move one-for-one. The composition of economic activity, employment patterns and the distribution of income all influence how strongly economic growth translates into household incomes.

Agriculture provides an important example. Agricultural output can increase through higher productivity, improved production conditions and greater mechanisation without generating a proportionate increase in employment or household incomes. This means that strong agricultural growth can increase the value of production in a district without producing an equivalent increase in labour demand or household earnings. Research on South African agriculture shows that employment responses can differ between seasonal and non-seasonal workers, while changes in agricultural labour-market conditions can affect both employment and worker incomes (Piek, 2023). Similarly, Bassier and Ranchhod (2024) find that changes in agricultural wages can improve farmworker incomes without necessarily resulting in equivalent changes in employment.

This distinction is particularly relevant in the Western Cape, where the rural districts have relatively greater exposure to agriculture than the Cape Metro. Agricultural production can therefore make a substantial contribution to district GDP while the benefits to household incomes depend on the type and scale of employment generated. By contrast, the Cape Metro has a much larger formal employment base and a greater concentration of finance and business services, which tend to support higher household incomes.

It is also important to note that the analysis uses median household income, rather than mean income. Median income represents the income of the household at the midpoint of the income distribution and is therefore less affected by very high-income households. The divergence between district economic growth and changes in median household income therefore highlights that the benefits of economic growth depend not only on the pace of output growth, but also on the sectors driving that growth and the employment and income opportunities they generate.

2.2 Fixed investment

Investment is a key driver of long-term economic growth, productivity and competitiveness. It expands productive capacity, facilitates technological advancement and supports the infrastructure required for businesses to operate efficiently. Gross fixed capital formation (GFCF) measures annual investment in fixed assets, including investment that replaces depreciated assets and investment that expands productive capacity. Fixed capital stock reflects the accumulated stock of productive assets in the economy. While GFCF measures the annual flow of investment, fixed capital stock measures the existing stock of productive assets, providing complementary perspectives on the Province's investment performance.

Gross fixed capital formation

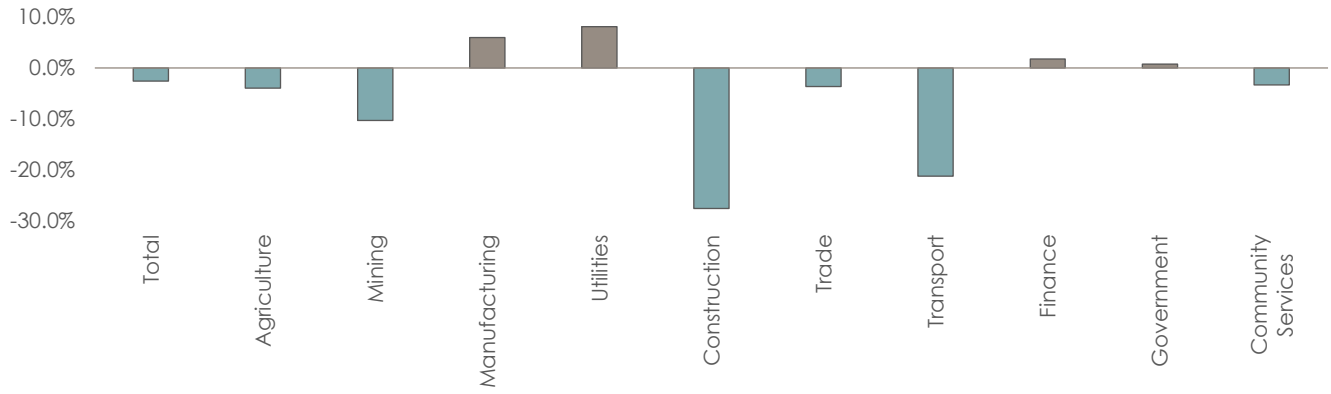
The Western Cape recorded R83.1 billion in gross fixed capital formation (constant 2015 prices) during 2025, representing a decline of 2.6 per cent compared with 2024. Although investment activity moderated during the year, the sectoral composition of investment reflects continued investment activity in several key sectors that underpin the Province's long-term economic competitiveness.

The distribution of gross fixed capital formation broadly reflected the structure of the Western Cape economy. The finance sector accounted for the largest share of investment (30.2 per cent) in 2025, followed by manufacturing (18.5 per cent), transport (12.0 per cent), government (10.1 per cent) and trade (8.8 per cent). Together, these sectors accounted for almost 80 per cent of total investment undertaken during the year, reflecting the Province's concentration of economic activity in business services, manufacturing, logistics and public infrastructure.

While overall investment declined during 2025, sectoral performance was mixed. Utilities recorded the strongest annual growth in investment (8.1 per cent), followed by manufacturing (6.0 per cent). Investment in the finance sector also increased by 1.8 per cent, reinforcing its role as the Province's primary investment destination.

Conversely, investment declined sharply in several sectors. The construction sector experienced the largest contraction, with gross fixed capital formation falling by 27.6 per cent during 2025, while investment in transport declined by 21.2 per cent and mining by 10.3 per cent. More moderate declines were also recorded in the agriculture, trade and community services sectors. The significant reduction in construction investment is consistent with the weak construction GDP performance discussed earlier in the chapter, although municipal building approval data suggests that a substantial pipeline of future projects remains in place.

Figure 2.8 Gross Fixed Capital Formation growth, 2025



Source: Quantec, Own calculations

Fixed capital stock

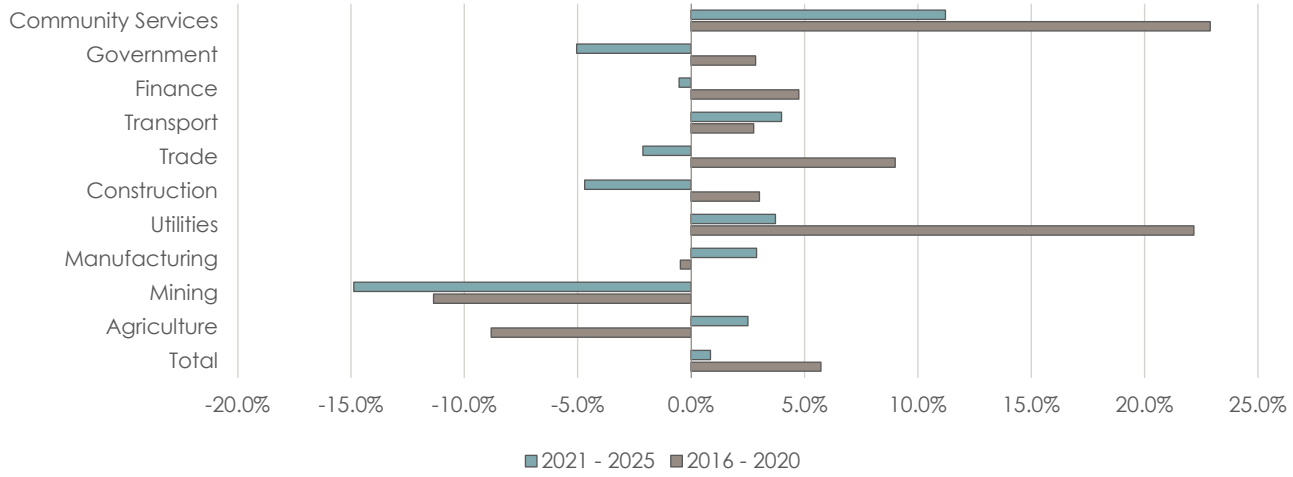
While gross fixed capital formation reflects annual investment activity, fixed capital stock measures the accumulated value of productive assets available within the economy. As such, changes in the capital stock occur more gradually and provide an indication of how the Province's productive capacity evolves over time.

The Western Cape's capital stock remains concentrated in a relatively small number of sectors. In 2025, the finance sector accounted for 41.9 per cent of total fixed capital stock, making it by far the largest repository of productive assets within the provincial economy. This was followed by transport (10.9 per cent), general government (10.8 per cent), utilities (9.9 per cent) and manufacturing (9.6 per cent). Together, these sectors represented more than 80 per cent of the Province's productive capital base.

Despite continued investment in selected industries, growth in the overall capital stock remained subdued. Between 2021 and 2025, total fixed capital stock increased by only 0.9 per cent, considerably slower than the 5.7 per cent growth recorded during 2016 - 2020. This reflects the cumulative effects of weaker investment conditions following the COVID-19 pandemic, higher borrowing costs and persistent domestic structural constraints.

The composition of capital stock growth also differs from annual investment trends. Community services recorded the strongest increase in productive assets during the post-pandemic period (11.2 per cent), followed by transport (4.0 per cent), utilities (3.7 per cent), manufacturing (2.9 per cent) and agriculture (2.5 per cent). These sectors have continued to expand their productive capacity despite the more challenging investment environment.

Figure 2.9 Growth of capital stock (2016 - 2025)



Source: Quantec, Own calculations

In contrast, the capital stock of mining declined by 14.9 per cent, while the government, construction and trade sectors also recorded contractions. Although the finance sector experienced a marginal decline in fixed capital stock (0.5 per cent), it remains the Province's largest stock of productive assets. This suggests that investment within the finance sector has largely been directed towards maintaining and renewing an already substantial stock of productive assets rather than significantly expanding the capital base.

Taken together, the investment indicators suggest that while overall investment has moderated in recent years, capital continues to flow towards sectors that enhance long-term productivity and competitiveness. Although investment activity remained concentrated in key sectors of the economy, growth in the Province's fixed capital stock slowed markedly from 5.7 per cent during 2016 - 2020 to just 0.9 per cent during 2021–2025. This highlights the need for stronger capital formation to support long-term economic growth.

The slowdown in the growth of the Province's capital stock also highlights the importance of new greenfield investment in expanding productive capacity. The Western Cape has a strong track record in attracting greenfield foreign direct investment (FDI), with more than 90 per cent of the 434 FDI projects attracted over the past two decades classified as greenfield investments. These projects injected an estimated R157 billion in capital and created more than 31 000 jobs (Western Cape Government, 2023). More recently, six major investment commitments valued at R50 billion were secured at the 2025 Western Cape Investment Summit, forming part of a broader R400 billion investment pipeline (Freight News, 2025). Emerging opportunities in renewable energy provide further scope for new capital formation, with GreenCape (2026) estimating a R37.4 billion renewable-energy investment opportunity in the Province through 2030. Together, these developments point to continued potential for new investment to expand the Province's productive capital base, complementing investment in existing assets.

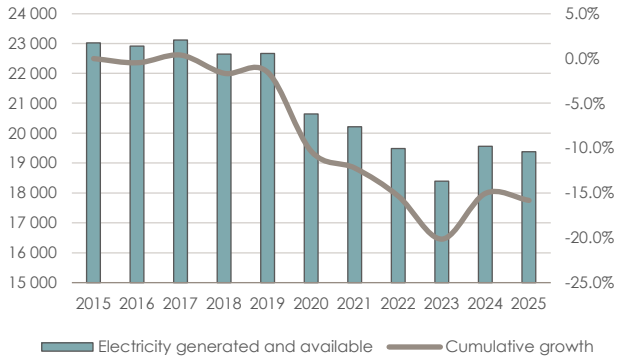
2.3 Energy resilience

Reliable and affordable electricity remains fundamental to economic growth, investment and competitiveness. Although South Africa's electricity supply has become more stable over the past year, energy security remains a key structural issue for businesses and households. In response, the Western Cape has continued to diversify its electricity supply through renewable energy generation, embedded generation, battery storage and municipal energy projects. These developments are strengthening the Province's resilience while positioning it to benefit from the transition to a lower-carbon economy.

Historically, Eskom has been the dominant supplier of electricity to the Province. However, as illustrated in Figure 2.10, the volume of electricity distributed by Eskom in the Western Cape has declined over the past decade, falling from 23 021 GWh in 2015 to 19 383 GWh in 2025, a cumulative decline of 15.8 per cent. The most pronounced reductions occurred between 2020 and 2023. While the COVID-19 pandemic coincided with the initial decline in electricity distribution, the longer-term trend primarily reflects ongoing supply constraints associated with load shedding, together with structural changes in South Africa's electricity sector, including the increasing contribution of embedded generation and independent power producers.

Rising electricity tariffs, improvements in energy efficiency, the rapid uptake of rooftop solar photovoltaic (PV) systems and increasing levels of private embedded generation have reduced reliance on electricity supplied through the national grid. The modest increase in Eskom-distributed electricity during 2024 suggests some recovery in production capacity; however, distribution volumes remain well below pre-pandemic levels as businesses, municipalities and households continue to diversify their electricity supply.

Figure 2.10 Electricity distributed by Eskom in the Western Cape, 2015 – 2025 (GWh)

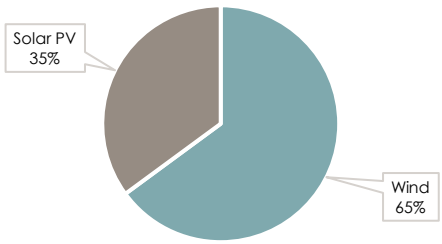


Source: Quantec, Own calculations

The transition towards renewable energy has accelerated rapidly in recent years. By the end of 2025, the Western Cape had approximately 3 690 MW of renewable energy capacity either operational or under construction (GreenCape, 2026). Wind energy accounted for the largest share of capacity operational or under construction (2 396 MW), followed by solar PV (1 295 MW) (Figure 2.11). This reflects the Province's favourable wind and solar resources and its emergence as one of South Africa's major renewable energy investment destinations.

In addition to projects procured through the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP), growing investment in embedded generation and private wheeling arrangements has enabled businesses to secure more reliable electricity while reducing dependence on the national grid.

Figure 2.11 Renewable energy capacity (operational or under construction) in the Western Cape by technology, 2025 (MW)

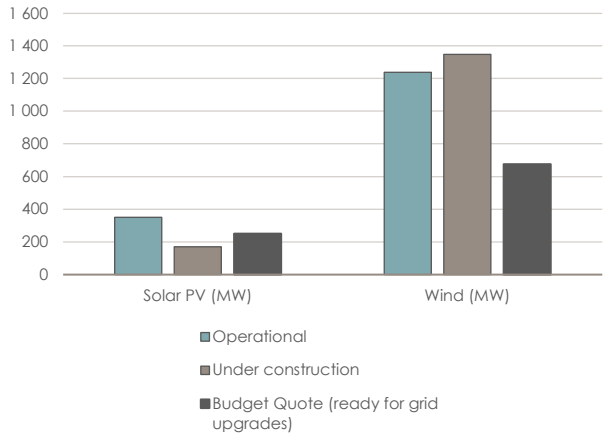


Source: GreenCape, Own calculations

The Province's renewable energy pipeline remains substantial despite ongoing transmission constraints. As shown in Figure 2.12, approximately 1 588 MW of renewable energy projects are currently under construction, while a further 926 MW of projects have reached Budget Quote stage and are expected to proceed once additional transmission capacity becomes available. The introduction of transmission congestion curtailment during 2025 is expected to unlock an additional 1 180 MW of wind generation capacity before 2028, while planned transmission infrastructure upgrades will create further opportunities for private investment and electricity market reform over the medium term. As mentioned previously, GreenCape estimates that renewable energy investment opportunities in the Western Cape could amount to R37.4 billion by 2030.

Municipalities are also playing an increasingly important role in strengthening provincial energy resilience. The Cape Metro is developing a 7 MW utility-scale solar PV facility in Atlantis together with a 5 MW battery energy storage system. Hessequa Municipality is constructing a 10 MW solar PV facility supported by 10 MWh of battery storage, while Mossel Bay Municipality has commissioned a 2.1 MW solar PV installation with 4.6 MWh of battery storage at its Hartenbos wastewater treatment works. These projects demonstrate how municipalities are actively diversifying electricity supply, improving the resilience of critical infrastructure and reducing long-term exposure to national electricity supply disruptions.

Figure 2.12 Renewable energy project pipeline in the Western Cape by development stage, 2025 (MW)



Source: GreenCape, Own calculations

The Province's progress extends beyond renewable energy generation alone. The growing diversification of electricity supply enhances energy security, reduces operational risk for firms and strengthens the Province's attractiveness as an investment destination.

Taken together, these developments demonstrate that the Western Cape's energy transition is increasingly becoming an economic competitiveness strategy rather than solely an environmental objective.

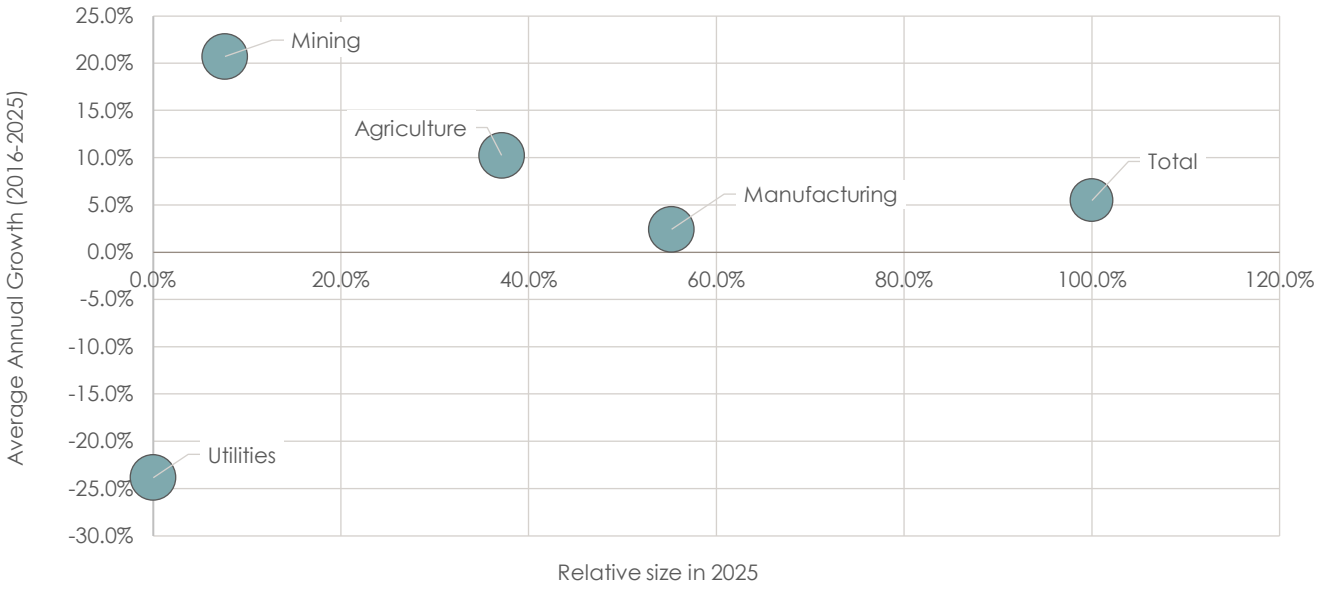
2.4 International trade

Export composition by sector

International trade remains a key driver of the Western Cape economy, supporting economic growth, employment and foreign exchange earnings. Over the past decade, the Province's export basket has become increasingly diversified, strengthening its resilience to external shocks and changing global demand. This is reflected in the HHI, which declined from 0.58 in 2016 to 0.45 in 2025, indicating a broader distribution of exports across sectors. A more diversified export base has enabled the Province to remain competitive despite heightened global uncertainty, geopolitical tensions and disruptions to international supply chains.

As shown in Figure 2.13, the manufacturing sector remained the Province's largest export sector in 2025, accounting for 55.2 per cent of total merchandise exports. The agriculture sector represented a further 37.1 per cent, highlighting the continued importance of the Province's globally competitive agri-processing and agricultural industries. The mining sector accounted for 7.7 per cent of exports, while the utilities sector contributed only a negligible share.

Figure 2.13 Nominal exports from the Western Cape: Relative size in 2025; and annual average growth, 2016 - 2025



Source: Quantec, Own calculations

Despite being the largest export sector, manufacturing contributed only 1.6 percentage points to total annual average export growth between 2016 and 2025.

Over the same period, the mining sector recorded the highest annual average export growth (20.7 per cent); however, its contribution to total export growth was less pronounced at 0.9 percentage points due to its small share of total exports.

The agriculture sector has been the principal driver of export growth. Between 2016 and 2025, agricultural exports expanded on average by 10.3 per cent per year and made a 3.1 percentage point contribution to total annual average export growth of 5.5 per cent.

Manufacturing export markets

Manufacturing exports continue to support industrial production and value-added economic activity. The decline in the HHI for manufacturing export destinations from 0.042 in 2016 to 0.035 in 2025 indicates that export markets have become increasingly diversified over the past decade. This broader geographic distribution reduces reliance on individual destination markets and enhances the resilience of the Province's manufacturing sector to external trade and demand shocks.

Table 2.4 Top five manufacturing export destinations, Western Cape, 2025

Destination	Share of manufacturing exports (2025)	Cumulative growth (2016 - 2025)	Annual growth (2025)
United States	9.8%	89.3%	(20.9%)
Namibia	9.6%	(6.1%)	0.8%
Botswana	5.2%	(8.2%)	(27.6%)
United Kingdom	4.3%	24.7%	(10.4%)
Germany	3.8%	12.2%	2.9%

Source: Quantec, Own calculations

The United States was the Western Cape's largest manufacturing export destination in 2025, accounting for 9.8 per cent of total manufacturing exports. Although exports to the United States have increased by 89.3 per cent since 2016, exports declined by 20.9 per cent during 2025, reflecting weaker external demand and the changing global trade conditions due to the new import tariffs imposed by the US. Namibia remained the second-largest destination, representing 9.6 per cent of manufacturing exports, followed by Botswana (5.2 per cent), the United Kingdom (4.3 per cent) and Germany (3.8 per cent).

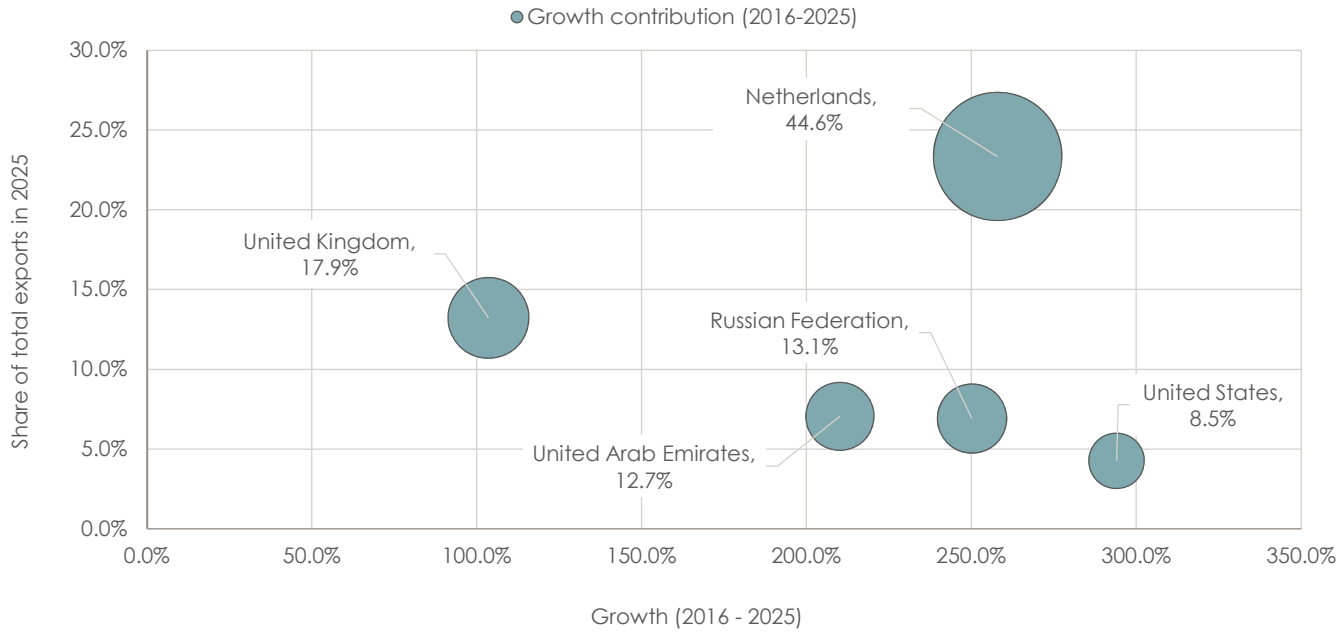
The destination profile illustrates the dual nature of the Western Cape's manufacturing sector. Neighbouring Southern African countries remain important regional markets for manufactured goods, while advanced economies such as the United States, the United Kingdom and Germany continue to provide demand for higher-value manufactured exports. Despite weaker export performance to some regional partners in recent years, the strong long-term growth recorded in exports to the United States and the United Kingdom demonstrates the Province's continued ability to compete in international manufacturing markets.

Agricultural export markets

The Western Cape's nominal agricultural exports have experienced remarkable growth over the past decade, increasing from R28.8 billion in 2015 to R76.4 billion in 2025, representing cumulative growth of 165.4 per cent. This growth has been driven by continued expansion into both traditional European markets and rapidly growing destinations in the Middle East, Eastern Europe and North America.

As illustrated in Figure 2.14, the Netherlands remained the Province's largest agricultural export destination in 2025, accounting for 23.3 per cent of total agricultural exports. Exports to the Netherlands increased by 257.9 per cent over 2016 - 2025 and contributed 44.6 percentage points to the 165.4 per cent growth in agricultural exports over the period. The United Kingdom remained the second-largest market, representing 13.2 per cent of agricultural exports, with exports more than doubling over the decade.

Figure 2.14 Top five agriculture export destinations for the Western Cape; Growth and nominal growth contribution (2016 - 2025); share of total agricultural exports (2025)



Source: Quantec, Own calculations

Several emerging export markets also recorded strong growth. Agricultural exports to the United Arab Emirates increased by 210.1 per cent, while exports to the Russian Federation grew by 250.1 per cent and recorded the strongest annual growth among the major destinations during 2025 (39.2 per cent). Exports to the United States expanded by 294.0 per cent over the decade, the strongest growth among the top five nations, highlighting growing demand for high-value Western Cape agricultural products beyond traditional European markets.

The diversification of export destinations has strengthened the resilience of the Province's agricultural sector by reducing reliance on a limited number of markets while creating new opportunities for exporters. Continued growth across both mature and emerging markets demonstrates the international competitiveness of Western Cape agriculture and its ability to adapt to changing global demand patterns.

Fruit exports continue to underpin agricultural trade

The Western Cape's fruit industry remains the cornerstone of the Province's agricultural export performance and continues to demonstrate strong international competitiveness. While traditional fruit exports such as grapes, apples and pears remain significant contributors to export earnings, the past decade has seen particularly strong growth in citrus exports, reflecting changing global demand patterns and expanding market access.

As shown in Table 2.5, grapes remained the Province's largest fruit export in 2025, accounting for 23.3 per cent of total fruit exports. Grapes were followed by mandarins (18.3 per cent), oranges (18.1 per cent) and apples (16.2 per cent), together representing more than three-quarters of the Province's fruit export basket. Pears and lemons each contributed 7.4 per cent, while cranberries, plums, grapefruit and peaches collectively accounted for the remaining share.

Although grapes remain the largest export by value, the strongest expansion has occurred within the citrus industry. Exports of mandarins increased by an exceptional 668.3 per cent between 2016 and 2025. Plums recorded the strongest annual growth in 2025 (47.9 per cent), followed by lemons and limes (43.9 per cent) and oranges (36.3 per cent). Cranberries and bilberries also expanded rapidly over the decade, increasing by 585.0 per cent, albeit from a relatively small export base.

The continued strength of both established and emerging fruit exports highlights the increasing diversification of the Province's agricultural export basket. While grapes, apples and pears continue to provide a stable foundation for export earnings, the rapid expansion of citrus exports demonstrates the sector's ability to respond to changing consumer demand and access new international markets.

Table 2.5 Composition and growth of the Western Cape's major fruit exports, 2025

Fruit Product	Growth from 2016 - 2025	2025 Annual Growth	% of Fruit Exports
Grapes	141.8%	6.7%	23.3%
Mandarins (incl. tangerines and satsumas)	668.3%	34.1%	18.3%
Oranges	116.5%	36.3%	18.1%
Apples	131.3%	8.9%	16.2%
Lemons and limes	136.1%	43.9%	7.4%
Pears	141.0%	11.1%	7.4%
Cranberries and bilberries	585.0%	4.3%	3.0%
Plums	78.1%	47.9%	2.7%
Grapefruit, including pomelos	47.2%	16.7%	2.1%
Peaches and nectarines	133.4%	19.8%	1.5%

Source: Quantec, Own calculations

Export composition by commodities

Between 2016 and 2025, citrus fruit made the single largest contribution to total export growth, accounting for 22.3 per cent of the increase in provincial exports (Table 2.6). This was followed by grapes (9.9 per cent) and apples, pears and quinces (9.8 per cent), reaffirming the Province's position as South Africa's leading exporter of deciduous fruit and citrus products.

Table 2.6 Top 10 export products by contribution to export growth, Western Cape, 2016 - 2025

No.	Product[2]	Growth contribution
1	Citrus fruit	22.3%
2	Grapes	9.9%
3	Apples, pears & quinces	9.8%
4	Manganese ores	5.9%
5	Chromium ores	5.8%
6	Yachts & pleasure vessels	2.8%
7	Fish fillets	2.3%
8	Niobium, tantalum, vanadium & zirconium ores	2.3%
9	Granulated slag	2.0%
10	Apricots, cherries, peaches & plums	1.7%

Source: Quantec, Own calculations

Beyond selected agricultural commodities, exports of manganese ores (5.9 per cent) and chromium ores (5.8 per cent) also made notable contributions to overall export growth. Although these minerals are predominantly mined in the Northern Cape, North West and Limpopo provinces, their export through Western Cape ports highlights the Province's strategic role as a logistics and trade gateway, rather than reflecting growth in the local mining sector.

Although mining represents only a small share of the Western Cape economy, these products have benefited from growing global demand for minerals used in steel production and industrial manufacturing.

Yachts and pleasure vessels also made a notable contribution to export growth (2.8 per cent), reflecting the competitiveness of the Province's specialised boat-building industry, particularly around Cape Town. Fish fillets (2.3 per cent) further illustrate the importance of the Province's marine economy and value-added seafood processing industries.

Overall, eight of the ten largest contributors to export growth originated from either the agricultural or mining sectors, while specialised manufacturing products such as pleasure vessels also featured prominently.

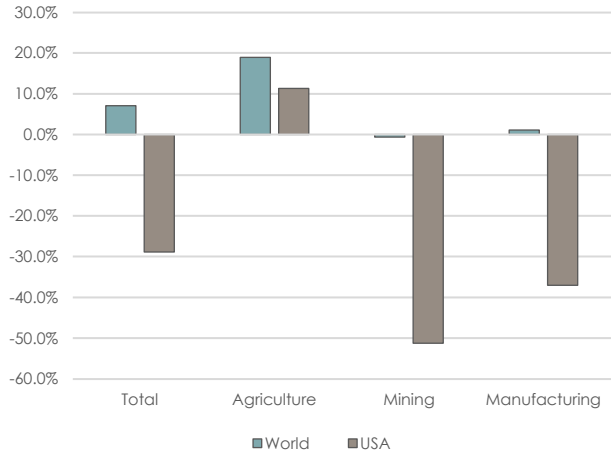
[2] Products are classified according to the Harmonized System (HS) at the six-digit product level.

Emerging impact of United States tariffs

The introduction of new United States trade tariffs during 2025 has created additional uncertainty for export-oriented industries across South Africa. Although the full economic effects are likely to emerge over time, preliminary trade data suggests that exports from the Western Cape to the United States weakened during the first year following the introduction of the tariffs.

Figure 2.15 compares average year-on-year export growth during the five quarters following the introduction of the tariffs(2Q2025 – 2Q2026) with the preceding four quarters (1Q2024 – 1Q2025).

Figure 2.15 Change in average export growth following the introduction of United States tariffs



Source: Quantec, Own calculations

Against this changing trade-policy backdrop, total exports to the US declined by 28.9 per cent over the period under review, while exports to the world increased by 7.1 per cent. The decline in exports to the US was most pronounced in the mining sector, where exports fell by 51.3 per cent, compared with a marginal decline of 0.7 per cent in mining exports to the world. Manufacturing exports to the United States also contracted sharply, declining by 37.0 per cent, while manufacturing exports to the world increased by 1.1 per cent.

Agricultural exports to the United States increased by 11.3 per cent, although this was well below the 18.9 per cent growth in agricultural exports to the world. This suggests that, while Western Cape agricultural products continued to gain ground in the US market, the pace of growth there lagged behind other markets, possibly reflecting the effect of higher tariffs on US demand. Agriculture nevertheless recorded the strongest growth in exports to the world among the three sectors, and was the only sector whose exports to the United States increased.

While it remains too early to assess the longer-term implications of the changing tariff regime, the updated figures indicate weaker export performance in the United States market than in the world market across all three sectors.

Shifting trade relationships

The Western Cape's trade profile has continued to evolve over the past decade, reflecting changing global demand patterns and the increasing importance of emerging markets. Table 2.7 shows that the Netherlands became the Western Cape's largest export destination in 2025, accounting for 10.3 per cent of total exports, compared with 6.4 per cent in 2016. China recorded the largest increase in export market share over the period, rising from 2.5 per cent to 7.4 per cent, highlighting the growing importance of Asian markets for Western Cape exporters. The United Kingdom and the United States remained relatively stable export destinations, while exports to neighbouring Southern African countries, including Namibia and Botswana, accounted for a smaller share of total exports than a decade ago.

The Province's import profile has also changed significantly. China remained the largest source of imports despite a slight decline in market share, while India, Oman and the United Arab Emirates became increasingly important suppliers. The growing importance of imports from the Middle East reflects South Africa's continued reliance on imported petroleum and energy products, while stronger trade links with India demonstrate the increasing significance of Asian economies within the Province's supply chains.

Table 2.7 Top 10 export and import markets for the Western Cape, 2016 - 2025

Exports	Share in 2016	Share in 2025	% Point Difference
Netherlands	6.4%	10.3%	3.9%
China	2.5%	7.4%	5.0%
United Kingdom	7.4%	7.3%	(0.1%)
United States	7.1%	7.1%	(0.1%)
Namibia	9.5%	5.8%	(3.7%)
United Arab Emirates	2.2%	3.9%	1.7%
Botswana	5.5%	3.0%	(2.5%)
Germany	4.0%	2.9%	(1.1%)
Russian Federation	1.4%	2.7%	1.3%
Zimbabwe	1.5%	2.3%	0.8%

Imports	Share in 2016	Share in 2025	% Point Difference
China	17.3%	15.6%	(1.7%)
India	4.9%	8.9%	4.0%
Oman	0.9%	6.6%	5.7%
United Arab Emirates	4.3%	6.5%	2.2%
United States	3.3%	5.2%	1.9%
Saudi Arabia	10.7%	4.6%	(6.1%)
Angola	6.6%	3.9%	(2.8%)
Italy	2.7%	3.7%	1.0%
Germany	5.0%	3.4%	(1.6%)
Nigeria	6.3%	3.0%	(3.3%)

Source: Quantec, Own calculations



Critical minerals provide a buffer against US tariffs

While the United States' reciprocal tariffs introduced in April 2025 have created uncertainty for South African exporters, a significant portion of the country's mineral exports were exempt from these measures. This reflects the strategic importance of several minerals to global manufacturing, clean energy technologies and the United States' own supply chains.

The tariff exemptions include South Africa's key platinum group metals (PGMs), gold, coal, manganese, chrome, vanadium, zirconium and bullion, all of which are considered important industrial or critical minerals. These exemptions helped shield a large share of South Africa's mining exports from the immediate impact of higher US import duties.

Selected South African mineral exports exempt from US reciprocal tariffs (2025)

Mineral	Key uses
Platinum group metals (platinum, palladium, rhodium)	Vehicle catalytic converters, hydrogen technologies, fuel cells, jewellery
Gold (including bullion)	Investment demand, financial reserves, electronics
Manganese	Steel production, lithium-ion batteries
Chromium	Stainless steel and specialised alloys
Vanadium	High-strength steel and grid-scale battery storage
Zirconium	Nuclear energy, ceramics and advanced manufacturing
Coal	Electricity generation and industrial processes

For the Western Cape, these exemptions helped limit the damage to mining exports in 2025, which nonetheless fell by 0.7 per cent to the world and by 51.3 per cent to the US after the tariffs were introduced. Exports of manganese ores and concentrates and chromium ores and concentrates recorded substantial growth over the past decade, benefiting from continued global demand for critical minerals used in steel production and the energy transition. Although mining represents a relatively small share of the provincial economy, these products made a meaningful contribution to export growth over the past decade.

Source: Minerals Council South Africa (2026); Exec. Order No. 14257 (2025)



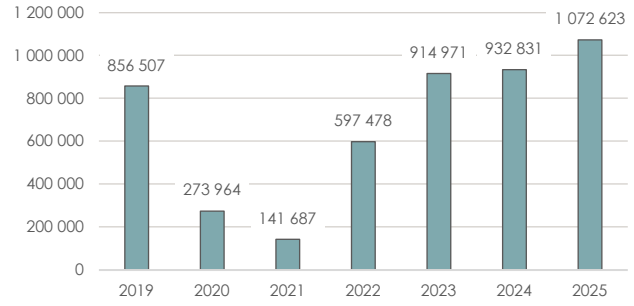
2.5 Tourism

International tourism continues to strengthen

International tourism continued its post-pandemic recovery during 2025, contributing to economic activity and reinforcing the Western Cape's role as a major international gateway for tourism.

As illustrated in Figure 2.16, foreign overnight tourist arrivals through Cape Town International Airport increased by 15.0 per cent to approximately 1.07 million visitors in 2025. Arrivals were 25.2 per cent above the 856 507 visitors recorded in 2019, having first exceeded pre-pandemic levels in 2023. Following the sharp decline during 2020 and 2021, international tourism has recovered steadily, with visitor arrivals increasing from 141 687 in 2021 to more than one million by 2025. The sustained recovery reflects the restoration of international air connectivity, growing confidence in long-haul travel and the continued attractiveness of the Western Cape as a global tourism destination.

Figure 2.16 International tourist arrivals at Cape Town International Airport, 2019 - 2025



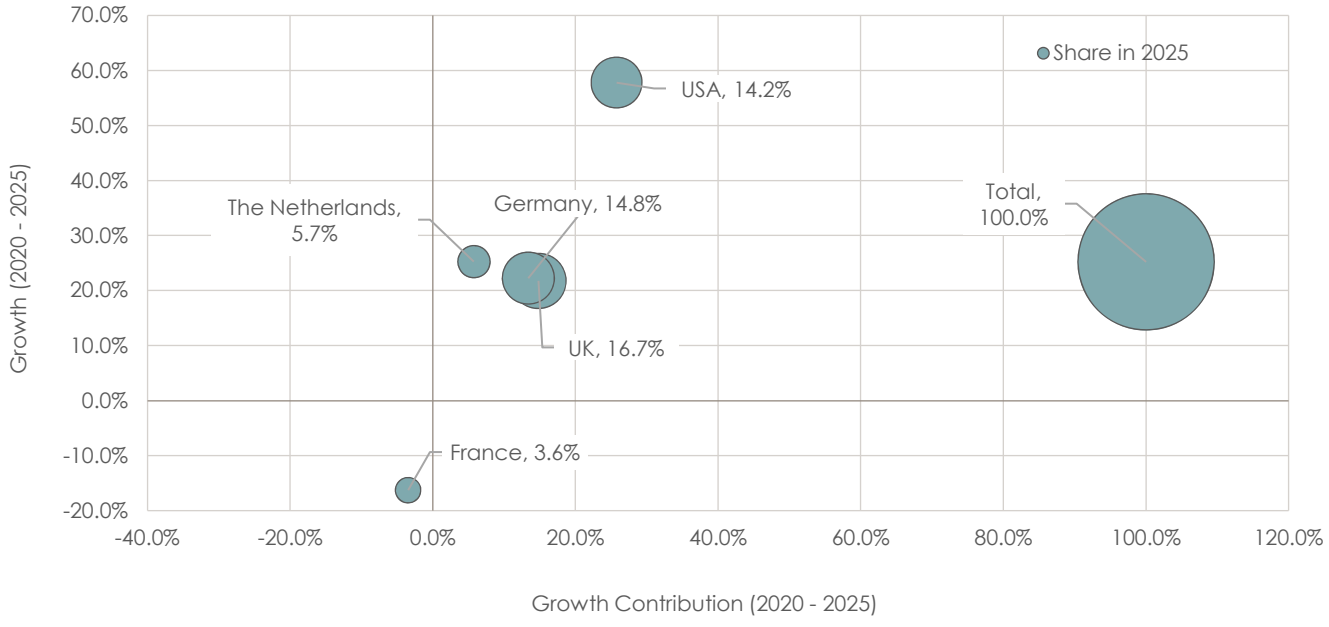
Source: StatsSA, Own calculations

The strong recovery in international tourism has been supported by both traditional European markets and rapidly expanding long-haul destinations. As shown in Figure 2.17, the United Kingdom remained the Province's largest international source market during 2025, accounting for 16.7 per cent of all international tourist arrivals through Cape Town International Airport. Germany (14.8 per cent) and the United States (14.2 per cent) followed closely, while the Netherlands (5.7 per cent) and France (3.6 per cent) completed the top five source markets.

Although the United Kingdom remained the largest source market by visitor numbers, the United States recorded the strongest long-term growth, with arrivals increasing by 57.8 per cent between 2020 and 2025. The United States also made the largest contribution to overall growth in international arrivals over the period, accounting for approximately 25.7 per cent of the total increase in visitors. This reflects the growing importance of the North American market for the Province's tourism industry and demonstrates successful diversification beyond its traditional European visitor base.

European markets nevertheless remain fundamental to the Western Cape's international tourism sector. Visitor arrivals from Germany grew by 22.3 per cent over the past five years, while arrivals from the Netherlands increased by 25.3 per cent. Together with the United Kingdom, these three European markets accounted for more than one-third of all international tourist arrivals during 2025, highlighting the Province's enduring appeal among European travellers.

Figure 2.17 Share (2025), growth, and growth contribution of the top five tourism source countries at Cape Town International Airport, 2020 – 2025



Source: Quantec, Own calculations

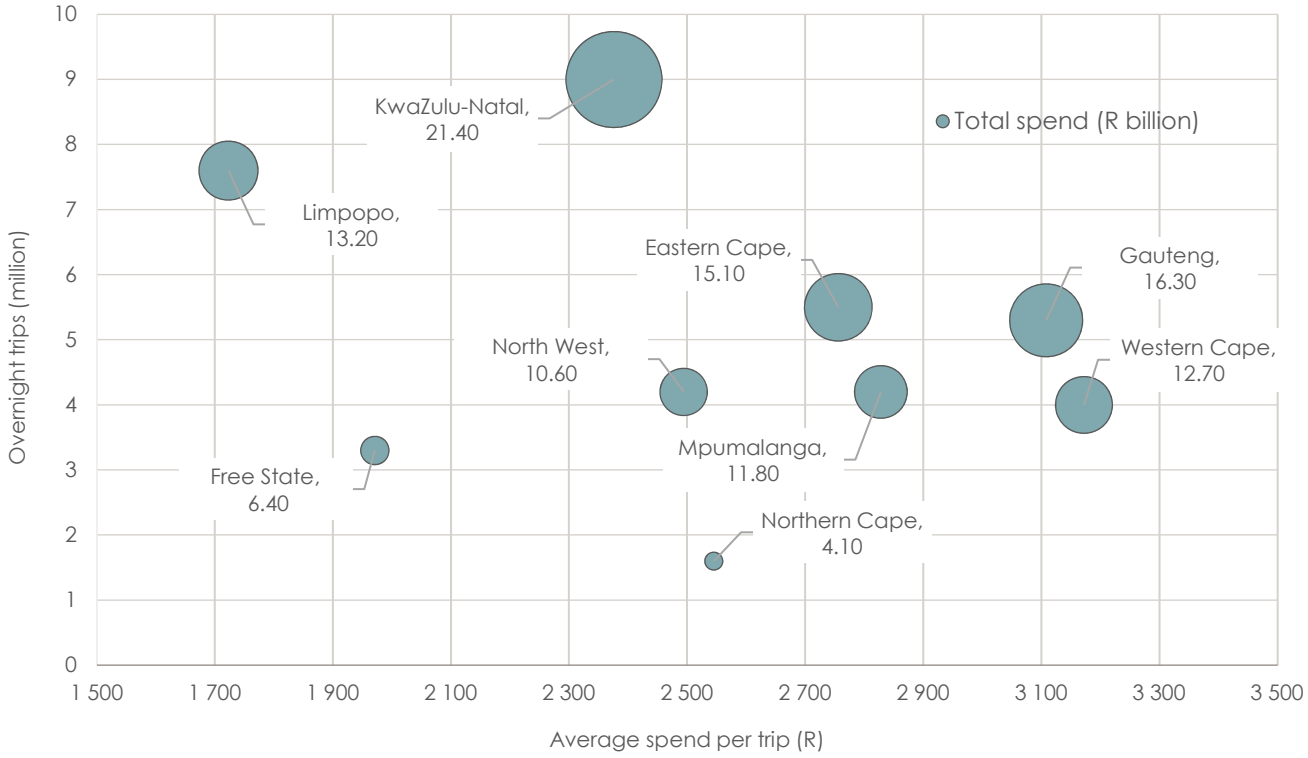
Continued growth from both established European markets and emerging long-haul markets such as the United States reduces reliance on individual source countries while broadening the Province's international tourism footprint. This diversification is likely to enhance the sector's resilience against regional economic shocks and changing travel patterns in the years ahead.

Domestic tourism: a high-value destination

Tourism remains an important contributor to the Western Cape economy, supporting employment across the accommodation, transport, hospitality, retail and recreational sectors. Although the Province attracts fewer domestic overnight visitors than several other provinces, it continues to distinguish itself as South Africa's leading high-value tourism destination.

As shown in Figure 2.18, the Western Cape recorded approximately 4.0 million domestic overnight trips during 2025, representing 8.9 per cent of all overnight trips undertaken within South Africa. While this was substantially lower than KwaZulu-Natal (9.0 million) and Limpopo (7.6 million), visitors to the Western Cape spent more per trip than those travelling to any other province. The average expenditure per overnight trip reached R3 172, exceeding the national average and surpassing other major tourism destinations such as Gauteng (R3 108) and KwaZulu-Natal (R2 376). Domestic visitors spent an estimated R12.7 billion in the Western Cape during 2025, reflecting the significant contribution of domestic tourism to the provincial economy.

Figure 2.18 Domestic overnight trips, average expenditure per trip and total tourism expenditure by province, 2025



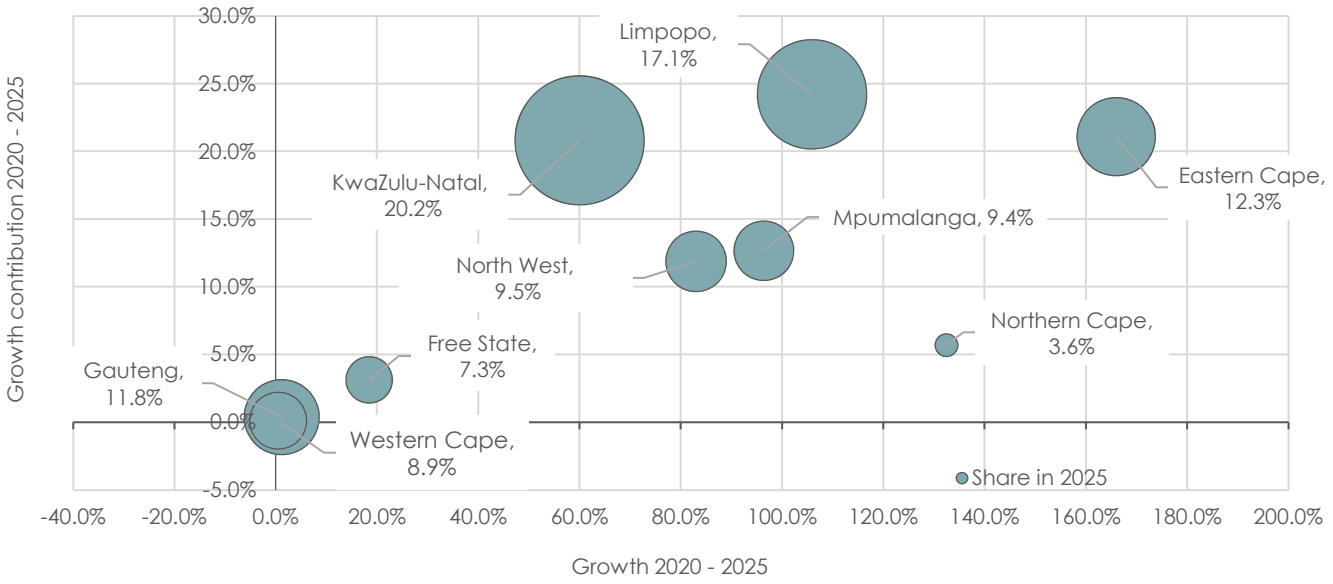
Source: Stats SA, Domestic Tourism Survey (2025), Own calculations

The Province's internationally recognised natural attractions, wine tourism, cultural experiences and premium hospitality sector continue to attract higher-spending visitors, reinforcing tourism's contribution to provincial economic activity.

Recovery in domestic overnight tourism

Domestic tourism has largely recovered to, and in many provinces exceeded, pre-pandemic levels. Figure 2.19 compares overnight trips in 2025 with the pre-COVID benchmark year of 2019, illustrating how the recovery has differed across provinces. Total overnight trips across South Africa increased by 16.2 million between 2020 and 2025.

Figure 2.19 Overnight trips by main destination province of South Africa, share in 2025; growth and growth contribution between 2020 – 2025



Source: SA Tourism, 2026 & Wesgro

KwaZulu-Natal remained South Africa's leading domestic tourism destination during 2025, accounting for 20.2 per cent of all overnight trips, followed by Limpopo (17.1 per cent) and the Eastern Cape (12.3 per cent). These provinces also made the largest contributions to national growth in domestic tourism since 2020, together accounting for almost two-thirds of the overall increase in overnight trips.

Domestic overnight trips in South Africa increased cumulatively by 57.0 per cent between 2020 and 2025. In contrast, domestic overnight trips to the Western Cape expanded by only 0.5 per cent over the same period, contributing just 0.1 percentage points to national domestic-tourism growth. This suggests that, while the Province remains an important high-value destination, it captured a limited share of the post-pandemic expansion in domestic travel.

The slower pace of growth should therefore be interpreted within the context of the Province's earlier recovery and the relatively higher cost of domestic travel to the Western Cape, rather than weaker demand for the Province as a tourism destination. In contrast, provinces such as Limpopo, KwaZulu-Natal and the Eastern Cape experienced stronger growth from lower post-pandemic bases, resulting in larger contributions to the national recovery in domestic tourism.

Overall, the domestic tourism data suggests that the Western Cape's competitive advantage lies not in attracting the largest number of visitors, but in generating greater economic value from each trip. Although domestic tourism growth has moderated, visitor expenditure continues to support the provincial tourism economy, while the recovery in international tourism provides an additional source of growth.



Strengthening global connectivity to drive tourism growth

International air connectivity remains a key enabler of tourism growth in the Western Cape. Improved access to global markets not only supports higher visitor numbers but also strengthens trade, investment and business travel, reinforcing the Province's position as one of South Africa's leading international destinations.

In April 2026, Emirates and Wesgro signed a Memorandum of Understanding (MoU) to strengthen inbound tourism to Cape Town and the Western Cape. The partnership aims to expand destination marketing across priority international markets, including the Gulf Cooperation Council (GCC) countries, India and the Far East, while leveraging Emirates' extensive global route network to attract more international visitors to the Province.

The agreement builds on growing international demand for Cape Town as a tourism destination. Emirates operated two daily services between Dubai and Cape Town until a third daily service was officially launched on 1 July 2026, with the inaugural Airbus A350 flight arriving at Cape Town International Airport. The additional service enhances connectivity between Cape Town and Emirates' global network via Dubai, providing greater flexibility for travellers while expanding passenger and cargo capacity to support tourism, trade and investment.

Beyond tourism, enhanced connectivity also supports the Province's export economy. Emirates SkyCargo provides an important logistics link for high-value, time-sensitive exports such as fresh fruit, seafood, dairy products and cut flowers, allowing Western Cape producers to access international markets more efficiently. This highlights the interconnected nature of tourism, trade and investment, where improved aviation links generate wider economic benefits across multiple sectors.

The partnership also aligns with the Western Cape Government's Growth for Jobs Strategy, which identifies tourism as a key driver of employment, investment and inclusive economic growth. As international visitor numbers continue to recover and expand beyond pre-pandemic levels, strategic partnerships with global airlines will play an increasingly important role in sustaining tourism growth and strengthening the Province's global competitiveness.

Source: Wesgro; Emirates



2.6 Economic outlook of the Western Cape

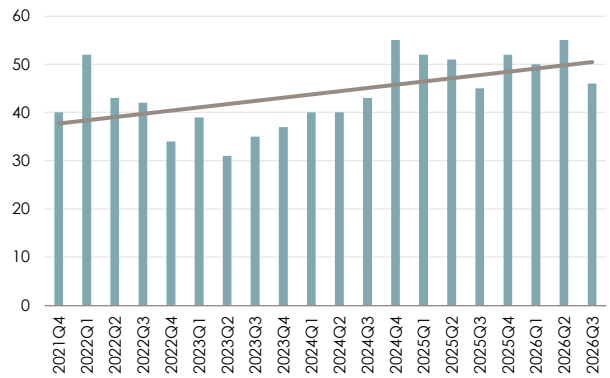
Business confidence softens but remains above average

The outlook for the Western Cape economy remains cautiously optimistic, although heightened geopolitical tensions, shifting trade dynamics and slower global growth pose risks. The pace of provincial growth will also largely depend on national economic conditions, policy certainty and progress in easing energy and logistics constraints.

The RMB/BER Business Confidence Index (BCI) provides an indication of prevailing business sentiment by measuring the percentage of respondents who are satisfied with current business conditions. Although confidence remained below the neutral level of 50 for much of the past 20 quarters, the index has shown a gradual upward trend (Figure 2.20).

Business confidence in the Province weakened to 46 index points in the 3rd quarter of 2026, down from 55 index points in the preceding quarter. Despite this decline, confidence remained above the average of 44 index points over the past twenty quarters and marginally higher than the 45 index points recorded a year earlier. The latest reading suggests that sentiment softened during the quarter but remained relatively favourable compared with its recent historical trend.

Figure 2.20 RMB/BER Business Confidence Index, 4Q2021 - 3Q2026



Source: Bureau for Economic Research (BER), DEDAT

Provincial Treasury forecasts moderate economic growth

The Provincial Treasury projects Western Cape GDP growth at market prices to strengthen from 1.3 per cent in 2026 to 1.6 per cent in 2027. Despite this gradual improvement, growth is expected to remain below the Province's long-term potential, as weak investment, infrastructure bottlenecks and global economic uncertainty continue to constrain economic activity.

Table 2.8 Provincial Treasury economic growth forecast, Western Cape, 2026 - 2027

Sector	5 yr average	10 yr average	2025	2026	2027
Agriculture	1.8%	2.6%	16.2%	3.3%	8.7%
Mining	(1.0%)	(2.2%)	0.4%	1.0%	(3.3%)
Manufacturing	2.0%	0.0%	(1.0%)	(1.5%)	1.4%
Utilities	(0.8%)	(1.6%)	(5.3%)	(3.3%)	(3.1%)
Construction	(2.9%)	(4.2%)	(4.5%)	(0.9%)	(1.0%)
Trade	1.5%	(0.3%)	2.6%	1.5%	1.6%
Transport	4.4%	1.0%	0.8%	1.2%	2.0%
Finance	2.8%	2.5%	1.9%	2.6%	1.5%
Community services	2.0%	1.3%	0.4%	1.5%	1.8%
Government	0.2%	0.9%	0.4%	1.8%	0.5%
GDP at market prices	**2.1%**	**0.9%**	**1.4%**	**1.3%**	**1.6%**

Source: Provincial Treasury

The Province's diversified services economy is expected to underpin growth, with finance, trade and transport sectors remaining key drivers. The agriculture sector is also forecast to outperform its historical average, although severe flooding in May 2026, followed by drought conditions in June and July, has heightened uncertainty surrounding its outlook. These events highlight the sector's continued exposure to climate-related risks, despite its strong underlying fundamentals.

By contrast, the construction and utilities sectors are expected to remain under pressure over the forecast period. Signs of recovery in building activity have yet to translate into a broader construction rebound, with the sector's continued contraction pointing to subdued infrastructure investment and civil construction activity. Sustained investment in infrastructure, logistics, energy resilience and climate adaptation will be critical to easing these constraints and supporting stronger, more inclusive economic growth.

Overall, the Western Cape's medium-term outlook points to moderate growth, supported by business confidence that remains above its recent average, resilient export industries and a continued recovery in tourism. Investment in logistics and energy resilience could help ease structural constraints, laying the foundation for stronger and more broad-based growth.

2.7 Conclusion

The Western Cape economy showed resilience despite global uncertainty, geopolitical tensions and persistent domestic constraints. Its diversified economy, strong export base and vibrant tourism industry helped sustain economic activity, supported by a recovery in agriculture and growth in finance and trade. Economic gains extended across all districts, drawing on their distinct sectoral strengths.

A stable electricity supply provided a more supportive environment for businesses and households. However, investment remained subdued, limiting the pace of recovery. Strong building plan approvals offered an encouraging signal of potential construction activity, although translating these plans into completed projects will be important for growth and job creation.

Investment in energy diversification and renewable energy is helping to strengthen the Province's resilience to supply disruptions. Improvements in freight logistics and port performance remain equally important to reducing business costs, connecting producers to markets and sustaining export competitiveness.

Trade and tourism remained important sources of economic activity. Agricultural exports benefited from access to established and emerging markets, while a diversified export base helped cushion some of the pressure associated with United States tariffs. Tourism continued to support businesses and employment through both international arrivals and domestic travel.

The medium-term outlook points to a gradual strengthening in growth. Turning this improvement into wider economic opportunities will require sustained investment and progress in addressing infrastructure and logistics bottlenecks. Building on the Province's strengths in services, agriculture, exports and tourism, while improving the conditions for businesses to invest and create jobs, will be central to achieving more inclusive growth.

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3

LABOUR MARKET DYNAMICS

Labour markets are fundamental to economic growth, household welfare and social stability, influencing productivity, incomes, poverty reduction and fiscal sustainability. Globally, they are being reshaped by technological change, demographic shifts, the climate transition, economic uncertainty and evolving skills demands. In South Africa, these structural changes continue against a backdrop of persistently high unemployment, particularly among youth and lower-skilled workers, underscoring the need for a more inclusive and resilient labour market.

This chapter examines labour market developments in South Africa and the Western Cape between the 2nd quarters of 2021 and 2026. It analyses trends in labour force participation, employment and unemployment across population groups, gender, age, education and districts, while assessing sectoral employment growth, formal and informal employment, and whether job creation has kept pace with labour force growth.



LABOUR MARKET DYNAMICS

The Western Cape labour results outperformed the national economy

2Q2026

Narrow Unemployment Rate



Western Cape
19.5%



South Africa
33.6%

Period: 2Q2021 - 2Q2026

Unemployment rate decline

Western Cape Unemployment Rate		South Africa Unemployment Rate
6.3% Points lower	VS.	0.7% Points lower
21.9%	Previously Disadvantaged	35.6%
27.1%	Youth Cohort	47.4%

Western Cape has been a major driver of job creation in SA

Period: 2Q2021 - 2Q2026



Western Cape, accounted for **32.2%** of South Africa's net employment gains

Employment contributions to national employment growth



Agriculture
51.6%



Trade
50.7%

Previously disadvantaged and youth population groups are driving the Western Cape's employment growth

Period: 2Q2021 - 2Q2026

Previously Disadvantaged	Youth Cohort
UNEMPLOYMENT RATE	UNEMPLOYMENT RATE
7.2% points lower	8.6% points lower
WC employment growth contribution	WC employment growth contribution
93.8%	39.8%
of total employment gains	of total employment gains

Pace of formal job creation in Western Cape has slowed



GROWTH PERIOD 2016 - 2020	GROWTH PERIOD 2021 - 2025
17.4%	4.6%

Rural districts outperformed the Cape Metro in formal employment creation

Growth period: 2021 - 2025 tax years



Average rural district employment growth
6.2%



Cape Metro employment growth
3.4%



Overberg district recorded the highest employment growth rate.
10.3%



Central Karoo recorded the lowest employment growth rate.
1.3%

3.1 Western Cape labour market: Leading the nation, bridging the gaps

The Western Cape's labour market has remained comparatively resilient, consolidating its position as South Africa's best-performing province in unemployment outcomes and employment creation. The Province consistently records the lowest narrow unemployment rate nationally, indicating a labour market that more effectively converts economic activity into jobs compared to the country as a whole.

From the early to mid-2020s, the Western Cape emerged as the leading driver of net employment gains. Rapid growth in the provincial labour force, combined with a falling unemployment rate, suggests that new entrants are being absorbed into employment rather than being left jobless. This performance has been supported by strong job creation in the agriculture and trade sectors, which together underpin a diversified and relatively robust employment base.

Despite the Province's relative success in employment creation, significant pockets of joblessness and economic inactivity persist, particularly among youth and less-skilled workers. The Province therefore faces a dual imperative: sustaining high employment growth while closing structural gaps to labour market access. Strengthening skills development and inclusive economic growth, combined with targeted support for vulnerable groups will be critical to ensure that the Western Cape's labour market gains are both durable and broadly shared.

3.2 The labour force: Engine of economic potential

The narrow labour force forms the core of economic production, made up of working-age adults who are either employed or unemployed but available for and actively seeking work. This group is the main channel through which an economy turns human potential into goods, services and innovation, supplying the skills and effort that underpin output, technological progress and improvements in income and living standards.

Shifts in labour force size and participation have direct consequences for productive capacity and long-run growth. Rising participation, especially among women, youth and previously excluded groups, expands potential output and broadens the tax base, while stagnant or falling participation constrains production and slows development. Understanding who enters, remains in, or drops out of the labour force is therefore central to diagnosing an economy's strengths and vulnerabilities.

The South African labour force

Over the past five years, South Africa's labour force has expanded unevenly across population groups, influenced by demographic shifts and rising education levels. An increasing share of people attaining higher education has changed who enters and remains in the labour market, altered participation patterns and gradually reshaped the workforce.

Between the 2nd quarters of 2021 and 2026, South Africa's labour force grew by 10.8 per cent, adding 2.452 million people to reach a total narrow labour force of 25.220 million. This expansion was not uniform across groups: the African population saw the strongest growth in its labour force (12.4 per cent), while the White labour force shrank by 3.3 per cent. These patterns mirror changes in the underlying working-age populations, with the previously disadvantaged working-age population increasing and the White working-age population declining over the same period.

Over this period, the labour force shifted towards higher education levels, while the 'less than secondary' education cohort declined by 3.8 per cent. This reflects similar trends in the working-age population by education, with growth concentrated among better-educated cohorts.

Labour force participation rate

Apart from trends in the working-age population, the labour force participation rate is an important supplementary indicator to explain labour force dynamics.

South Africa's labour force participation rate has improved modestly over the past five years, rising from 57.5 per cent in the 2nd quarter of 2021 to 59.6 per cent in the same quarter of 2026, signalling slightly stronger engagement with the labour market. However, behind this aggregate improvement are important differences across age, gender and population groups.

By population groups, the labour force participation rate increased across all groups, with the largest improvements among African and Coloured populations, whose participation rose by 2.3 and 3.7 percentage points respectively, compared to 2.2 percentage points for Whites. This pattern suggested that previously disadvantaged groups are slowly strengthening their presence in the labour market, even though substantial gaps in employment outcomes remain.

Gender patterns show that women's labour force participation rate grew faster than men's, with an increase of 3.5 percentage points for females versus 0.7 percentage points for males, narrowing the gender participation gap but not closing it. Men still participate at higher rates, yet the faster rise for women is consistent with the gradual easing, though not removal, of constraints related to care responsibilities, social norms and access to opportunities.

Table 3.1 Composition of the South African narrow labour force, 2Q2021 - 2Q2026

	2Q2021		2Q2026		Change	
	Number (000's)	Share (%)	Number (000's)	Share (%)	Number (000's)	Percentage
Narrow labour Force	**22 768**	**100.0**	**25 220**	**100.0**	**2 452**	**10.8%**
By Race						
African	18 240	80.1%	20 497	81.3%	2 257	12.4%
Coloured	1 982	8.7%	2 173	8.6%	191	9.6%
White	1 941	8.5%	1 878	7.4%	(64)	(3.3%)
By Gender						
Male	12 508	54.9%	13 553	53.7%	1 044	8.3%
Female	10 260	45.1%	11 667	46.3%	1 408	13.7%
By Age						
Youth (15 - 34 years)	9 724	42.7%	10 548	41.8%	824	8.5%
Older (35 - 64 years)	13 044	57.3%	14 671	58.2%	1 628	12.5%
By Education						
Less than Secondary	10 352	45.5%	9 963	39.5%	(389)	(3.8%)
Secondary	8 117	35.6%	9 941	39.4%	1 824	22.5%
Tertiary	4 138	18.2%	4 987	19.8%	849	20.5%

Source: Quantec, Own calculations

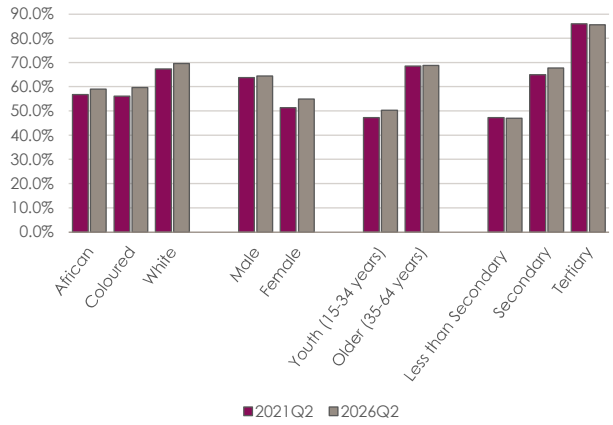
Note: Differences in education cohort totals with grand totals per population is due to the exclusion of the "other" category among education cohorts.

These findings align with the broader literature, which argues that while the labour force participation rate has increased over time, progress towards gender equality in labour markets remains constrained by enduring institutional and social factors (Casale et al., 2020; International Labour Organization, 2024).

Age differences also remained pronounced: participation among older workers aged 35 to 64 years was substantially higher than among youth. However, a notable improvement over the period occurred among young people, whose labour-force participation rate increased by 3.0 percentage points. This suggested that, despite sluggish economic conditions, more young people entered or re-entered the labour market.

Across education levels, labour force participation rates were strongly and positively associated with educational attainment, with tertiary-educated individuals participating at substantially higher rates than those with less than secondary schooling. Although changes over the period were small, the persistent gaps between education cohorts highlighted the central role of education in shaping who entered the labour market and how firmly they remained attached to it. This pattern is consistent with Branson et al. (2012), who showed that South Africans with higher education had stronger labour market attachment because of better employment prospects, higher expected lifetime earnings and lower risks of prolonged unemployment.

Figure 3.1 South African labour force participation rate per cohort, 2Q2021 - 2Q2026



Source: Quantec, Own calculations

The Western Cape labour force

Between the 2nd quarters of 2021 and 2026, the Western Cape's narrow labour force expanded by 15.8 per cent, more than double the increase in the working-age population of 7.8 per cent, indicating a marked rise in labour force participation rather than demographic growth alone.

The strongest gains were among the African population group, where labour force growth of 22.2 per cent substantially outpaced the 16.3 per cent increase in the working-age population. This implied a significant intensification of job search and labour market attachment among Africans. Labour force growth among the Coloured population was also robust at 12.6 per cent between the 2nd quarters of 2021 and 2026. By contrast, growth among the White population was a modest 4.0 per

cent, reflecting subdued or declining working-age numbers, and pointing to a gradual shift in the provincial labour force composition.

Gender and age patterns reinforced the picture of rising labour force participation. The male and female labour forces grew by 15.1 per cent and 16.6 per cent respectively, both outpacing growth in their working-age populations. This pointed to stronger labour-market engagement among both genders, albeit with a modest shift in favour of women.

The youth labour force expanded by 13.0 per cent against working-age youth growth of only 4.4 per cent, indicating that a much higher share of young people was actively entering the labour market, with implications for both opportunity and measured youth unemployment.

The education profile underscores a structural tilt of the labour force towards higher educational attainment. Labour force growth among those with secondary and tertiary education far exceeds the rise in their working-age populations, while participation among those with less than secondary schooling is modest against a slightly shrinking low-education population. This divergence suggests that employers are increasingly demanding at least secondary education, while the expanding tertiary-educated cohort is strengthening its position in skilled segments of the provincial labour market and those with low education are at risk of long-term marginalisation.

Because labour force growth exceeded working-age population growth over the period, the labour force participation rate improved over time.

Western Cape labour force participation rate

Figure 3.2 shows that the Western Cape's labour force participation rate increased markedly between the 2nd quarters of 2021 and 2026, rising from 63.1 per cent to 67.8 per cent, a gain of 4.7 percentage points. This broad-based improvement signals that a larger share of residents is actively engaged in the labour market, reflecting both stronger job-search incentives and better perceived employment prospects.

By population group, labour force participation rates strengthened across the board. The White population led the trend with a 9.0 percentage point increase, while the African and Coloured populations recorded more modest gains of 3.5 percentage points each.

Table 3.2 Composition of the Western Cape narrow labour force, 2Q2021 - 2Q2026

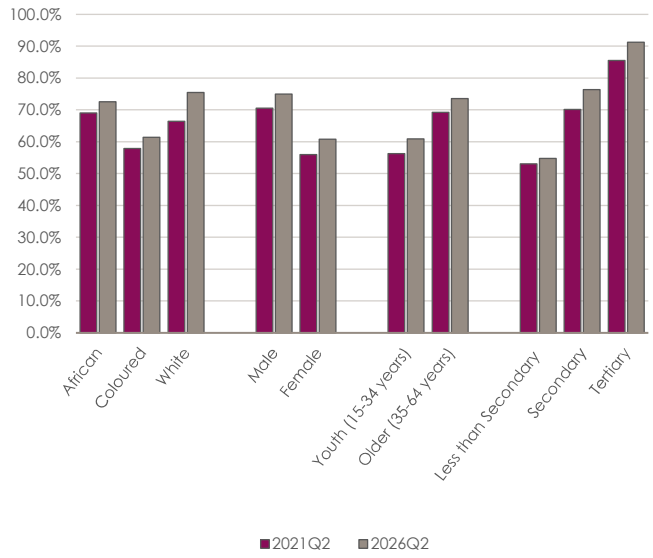
	2Q2021		2Q2026		Change	
	Number (000's)	Share (%)	Number (000's)	Share (%)	Number (000's)	Percentage
Narrow labour Force	**3 040**	**100.0**	**3 520**	**100.0**	**480**	**15.8%**
By Race						
African	1 206	39.7%	1 474	41.9%	268	22.2%
Coloured	1 308	43.0%	1 472	41.8%	164	12.6%
White	492	16.2%	511	14.5%	20	4.0%
By Gender						
Male	1 668	54.9%	1 919	54.5%	251	15.1%
Female	1 372	45.1%	1 600	45.5%	228	16.6%
By Age						
Youth (15 - 34 years)	1 275	42.0%	1 442	41.0%	166	13.0%
Older (35 - 64 years)	1 765	58.0%	2 078	59.0%	313	17.8%
By Education						
Less than Secondary	1 336	44.0%	1 345	38.2%	9	0.6%
Secondary	1 089	35.8%	1 356	38.5%	267	24.5%
Tertiary	578	19.0%	723	20.5%	145	25.0%

Source: Quantec, Own calculations

Gender trends showed a 4.4 percentage point increase in the male labour force participation rate and a 4.9 percentage point increase among females. This implied that women re-entered the labour market somewhat more strongly, while men also experienced a meaningful improvement in participation. A notable improvement occurred among youth, whose labour force participation rate increased by 4.6 percentage points, slightly above the 4.4 percentage point increase among adults aged 35 to 64 years. This pointed to marginally stronger labour-market engagement among young people.

By education level, labour force participation rates increased most sharply among those with secondary qualifications (6.2 percentage points) and tertiary education (5.6 percentage points), while gains among individuals with less than secondary education were modest (1.7 percentage points). This reinforced the national pattern in which labour force participation was positively associated with educational attainment.

Figure 3.2 Western Cape labour force participation rate per cohort, 2Q2021 - 2Q2026

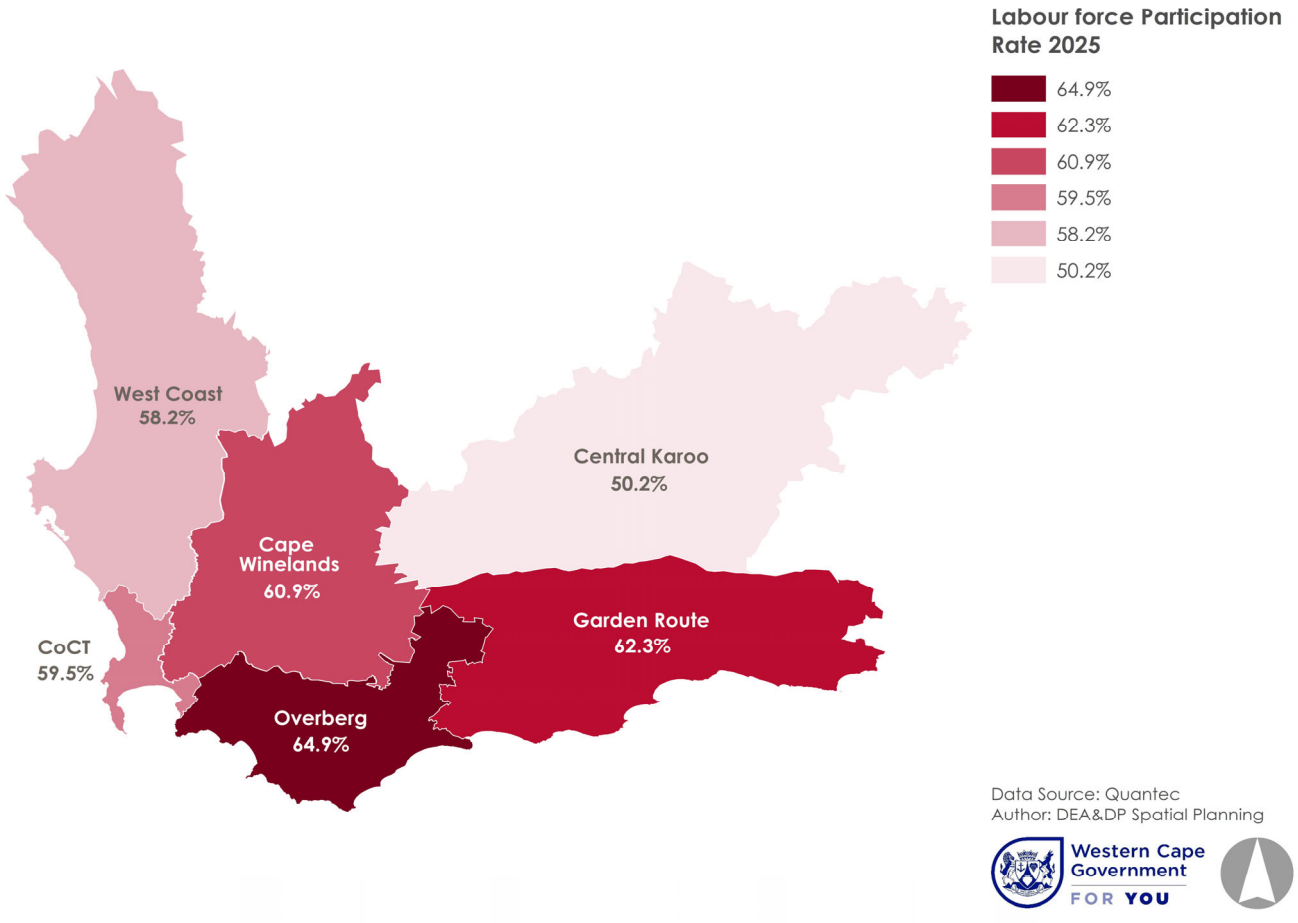


Source: Quantec, Own calculations

Figure 3.3 provides a view of the spatial disparities in labour force participation rates across the Western Cape in 2025, as estimated by Quantec. The Overberg district recorded the highest labour force participation rate (64.9 per cent), followed by the Garden Route (62.3 per cent) and Cape Winelands (60.9 per cent), which suggested relatively strong labour market attachment in these rural districts.

In contrast, the Central Karoo district exhibited the lowest labour force participation rate (50.2 per cent), pointing to a smaller share of the working-age population actively engaged in the labour market, most likely reflecting the substantial distances between towns combined with relatively slower economic growth (see Chapter 2). The Cape Metro (59.5 per cent) and West Coast (58.2 per cent) were both close to the provincial average labour force participation rate of 59.3 per cent, highlighting that the labour force participation rate in the Western Cape is shaped less by proximity to the metropolitan centre than by local economic opportunities and the structure of regional economies.

Figure 3.3 Labour force participation rate per district as of 2025



Note: Quantec labour market estimates are model-based and integrate multiple data sources, including Stats SA's Mid-Year Population Estimates, National Accounts, Quarterly Employment Statistics, Population Census and Agricultural Survey. As a result, estimates may differ from those reported in the Quarterly Labour Force Survey (QLFS).

3.3 Employment

Employment lies at the core of both economic security and social stability. For households, work is the main channel through which skills are converted into a steady command over resources, enabling protection against shocks and investment in future wellbeing. Beyond income, employment structures daily life, builds social connections and allows people to develop and apply their capabilities.

At the macro level, broad-based employment expands the tax base, eases pressure on redistributive systems and helps contain inequality. Economies that absorb more people into productive work typically enjoy stronger consumer demand, greater social cohesion and more durable political stability. In this way, expanding decent employment is simultaneously a central development goal and a foundation for more inclusive, resilient growth.

Employment in South Africa

Between the 2nd quarters of 2021 and 2026, total employment in South Africa expanded by 1.797 million jobs (12.0 per cent). African and Coloured workers accounted for almost all of net employment gains (98.9 per cent), with employment increasing by 13.6 per cent and 17.4 per cent respectively. By contrast, employment among the White population declined slightly by 3.8 per cent, reinforcing the gradual shift towards a more representative employment structure.

Employment growth was also skills-biased. Employment among workers with secondary and tertiary education increased by 23.8 per cent and 21.1 per cent respectively, compared with a decline of 4.1 per cent among those with 'less than secondary' schooling. This indicated that new jobs were concentrated in roles requiring at least completed schooling and, increasingly, post-school qualifications.

Over the five-year period, youth employment (10.0 per cent) grew more slowly than older-age employment (13.1 per cent) in South Africa.

Table 3.3 Changes in South African employment per demographic cohort, 2Q2021 - 2Q2026

	2Q2021		2Q2026		Change	
	Number ('000s)	Share (%)	Number ('000s)	Share (%)	Number ('000s)	Percentage
Total employment	**14 942**	**100.0**	**16 739**	**100.0**	**1 797**	**12.0%**
By Race						
African	11 264	75.4%	12 795	76.4%	1 531	13.6%
Coloured	1 416	9.5%	1 663	9.9%	246	17.4%
White	1 774	11.9%	1 707	10.2%	(67)	(3.8%)
By Gender						
Male	8 462	56.6%	9 445	56.4%	983	11.6%
Female	6 480	43.4%	7 294	43.6%	814	12.6%
By Age						
Youth	5 047	33.8%	5 552	33.2%	505	10.0%
Older age	9 894	66.2%	11 187	66.8%	1 292	13.1%
By Education						
Less than Secondary	6 317	42.3%	6 055	36.2%	(261)	(4.1%)
Secondary	5 144	34.4%	6 366	38.0%	1 222	23.8%
Tertiary	3 359	22.5%	4 068	24.3%	710	21.1%

Source: Quantec, Own calculations

Employment in the Western Cape

Between the 2nd quarters of 2021 and 2026, employment in the Western Cape grew far faster compared to South Africa. Employment in the Province increased by 25.6 per cent (579 000), more than double the national growth rate. This confirms the Western Cape as a major driver of net job creation over the period.

By population group, employment growth in the Western Cape is particularly strong for Africans (up 34.4 per cent) and Coloured workers (23.9 per cent), compared with national increases of 13.6 and 17.4 per cent respectively, indicating that the Province is absorbing previously disadvantaged groups more rapidly than the country overall.

The Western Cape's employment growth is clearly affected by levels of education. Provincial employment among those with secondary and tertiary education rose by 39.2 per cent and 23.9 per cent respectively, substantially faster than increases recorded nationally for both these groups (23.8 per cent and 21.1 per cent respectively), while employment for those with less than secondary education grew by 9.6 per cent in the Province, compared with the decline of 4.1 per cent nationally.

Employment growth data over the past five years suggests that the Province's growth model is even more biased towards better-educated workers than the national economy, reinforcing both its productivity advantages and the risks of exclusion for low-skilled residents.

Youth employment grew much faster in the Western Cape than in South Africa. In the Western Cape, youth jobs increased by 28.1 per cent, compared with 10.0 per cent nationally, meaning youth employment growth in the Province was 18.1 percentage points higher than South Africa. Consequently the Province has been substantially more successful than South Africa as a whole at drawing young people into work.

Figure 3.4 shows that the Western Cape made a substantial contribution to national job creation, accounting for 32.2 per cent of South Africa's net employment gains.

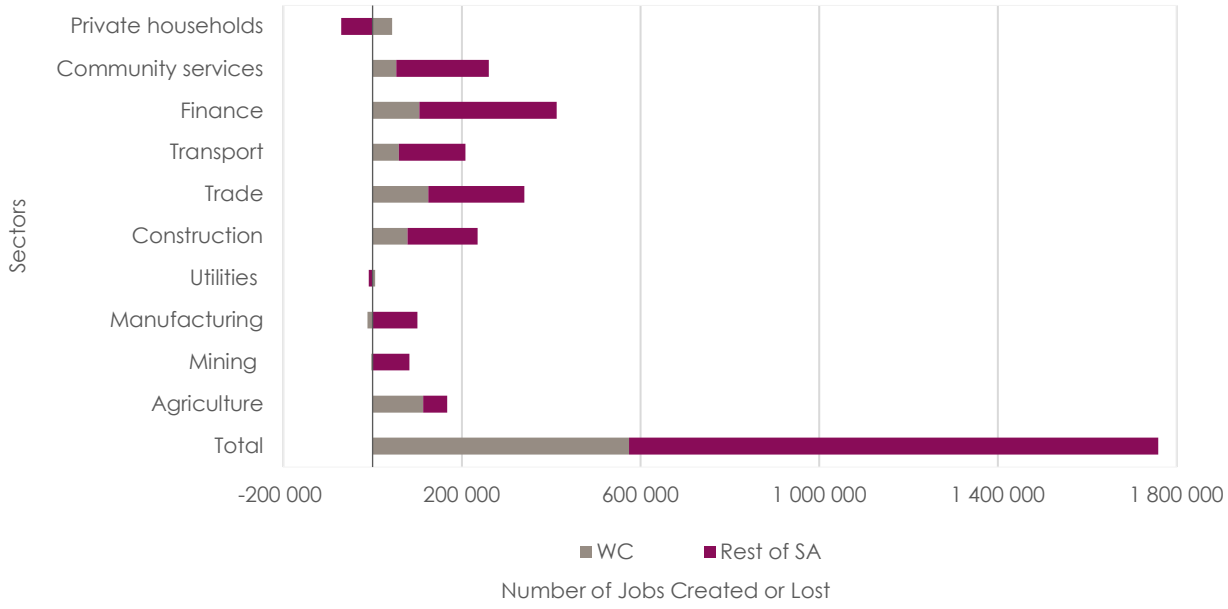
Between the 2nd quarters of 2021 and 2026, the Western Cape accounted for 51.6 per cent of South Africa's total employment gains in agriculture and 50.7 per cent in trade. The Province also contributed 27.7 per cent of national employment growth in the community services sector and 27.4 per cent in the manufacturing sector, followed by 21.4 per cent in the transport sector and 20.6 per cent in the finance sector.

Table 3.4 Changes in Western Cape employment per demographic cohort, 2Q2021 - 2Q2026

	2Q2021		2Q2026		Change	
	Number ('000s)	Share (%)	Number ('000s)	Share (%)	Number ('000s)	Percentage
Total employment	**2 256**	**100.0**	**2 835**	**100.0**	**579**	**25.6%**
By Race						
African	808	35.8%	1 086	38.3%	278	34.4%
Coloured	975	43.2%	1 208	42.6%	233	23.9%
White	450	20.0%	486	17.1%	36	8.0%
By Gender						
Male	1 256	55.7%	1 577	55.6%	321	25.6%
Female	1 000	44.3%	1 258	44.4%	258	25.8%
By Age						
Youth	820	36.3%	1 050	37.1%	231	28.1%
Older age	1 436	63.7%	1 784	62.9%	348	24.2%
By Education						
Less than Secondary	907	40.2%	994	35.1%	87	9.6%
Secondary	788	34.9%	1 098	38.7%	309	39.2%
Tertiary	534	23.6%	661	23.3%	128	23.9%

Source: Quantec, Own calculations

Figure 3.4 Employment loss/gains per sector in the Western Cape and Rest of South Africa, 2Q2021 - 2Q2026



Source: Quantec, Own calculations

Skills-Biased Technological Change and Structural Skills Mismatch in South Africa

South Africa's labour market has become increasingly skills-biased, with employment and wage growth increasingly favouring workers possessing higher levels of education and specialised skills. This structural shift has been driven by technological progress, global competition, increasing capital intensity and changes in the composition of economic activity, resulting in growing demand for analytical, technical and interpersonal skills while reducing demand for routine and lower-skilled work (Bhorat et al. 2014). Consequently, employment opportunities have become increasingly concentrated among medium- and high-skilled workers, contributing to widening disparities in labour market outcomes across different skill groups.

Bhorat et al. (2015) found that between 2001 and 2012, employment in agriculture and mining declined by more than 700 000 jobs, including losses of over 500 000 medium-skilled and approximately 175 000 unskilled jobs despite positive output growth, indicating that firms increasingly substituted labour with capital-intensive production methods. Over the same period, the tertiary sector created approximately 2.7 million jobs, with more than 70 per cent of these occurring in medium- and high-skilled occupations, demonstrating that employment growth has become increasingly concentrated in knowledge-intensive and service-oriented activities.

This shift has also altered wage dynamics. Using quantile regression analysis controlling for age (experience), race and educational attainment, Bhorat et al., (2014) found that occupations involving routine or automated tasks, predominantly lower- and medium-skilled jobs, experienced declining wages across most of the income distribution. Conversely, occupations requiring face-to-face interaction or information and communication technology (ICT) skills generally recorded rising wages, while analytical occupations consistently attracted the highest and most stable wages across the wage distribution. These findings indicate that technological change has increased the labour market value of cognitive, digital and interpersonal skills while reducing returns to routine work.

The growing demand for skilled labour has contributed to a persistent mismatch between labour demand and labour supply. Khuluvhe et al. (2022) found that South Africa faces considerable demand for highly skilled workers alongside a surplus of lower-skilled labour, contributing to persistently high unemployment and shortages in technical, engineering and professional occupations. The study also found that unemployment among higher education graduates increased by an average of 32.4 per cent per year between the second quarter of 2018 and the second quarter of 2021, while unemployment among Technical and Vocational Education and Training (TVET) graduates increased by 18.6 per cent annually over the same period. These findings suggest that, in addition to increasing the supply of graduates, greater alignment is needed between post-school education and labour market requirements.

Advances in artificial intelligence (AI) are likely to reinforce these structural trends. Using quarterly manufacturing data for 2014 - 2024 for South Africa and a Structural Vector Autoregression (SVAR) model, Giwa and Ho (2026) found that a positive AI shock results in an immediate and statistically significant decline in manufacturing employment, with AI accounting for close to 30 per cent of the forecast variation in employment over a ten-quarter horizon. The authors concluded that AI-driven automation may pose significant risks for routine manufacturing occupations and recommend policies that promote human-AI complementarity through workforce reskilling, continuous skills development and incentives for labour-augmenting technologies.

Similarly, Giwa and Ngepah (2024) sought to examine the relationship between AI adoption, low-skilled employment dynamics, and its implications in South Africa. Employing the Vector Error Correction Model (VECM) approach and using key economic indicators such as inflation, interest rates, and foreign direct investment (FDI) from the 1st quarter of 2012 to the 4th quarter of 2021, the study found a significant long-run negative relationship between AI adoption and low-skilled employment. Granger causality tests further revealed that AI investment unidirectionally causes changes in low-skilled employment, suggesting that technological adoption could disproportionately displace lower-skilled workers. The authors therefore recommend expanding reskilling and upskilling initiatives while strengthening policies to support workforce adaptation and mitigate labour market disruptions associated with AI adoption.

Informal employment

In South Africa, informal employment accounts for a substantial share of total employment, with recent estimates indicating that around one-third of workers, or more than 5 million people, are informally employed. Informal employment refers to persons in precarious employment situations, regardless of whether they work in the formal or informal sector. This includes workers in the informal sector, employees of formal-sector enterprises, and persons working in private households who are not entitled to or do not receive basic employment benefits such as pension contributions, paid leave and sick leave.

As a result, informal workers typically face greater income instability, weaker job security and limited access to legal and social protection. Far from being a marginal segment of the labour market, informal employment has become an important source of jobs and a key buffer for workers who are unable to access standard wage employment.

Yet the same features that make informal work accessible also entrench vulnerability. Informal workers are disproportionately low-skilled and low-paid, concentrated in sectors with weak productivity growth and limited career ladders, which helps explain why informal employment is highly persistent across a person's working life and often transmitted across generations in the absence of strong education and social protection systems (Organisation for Economic Co-operation and Development, 2024).

Informal employment in South Africa

Within the sectoral structure of informal work, a small group of sectors played an especially prominent role in South Africa. In the 2nd quarter of 2026, the private households sector had, by far, the greatest reliance on informal work, with informal jobs accounting for 79.1 per cent of total employment in the sector. This was followed by agriculture (51.8 per cent), construction (47.1 per cent) and transport (38.9 per cent) sectors.

Table 3.5 Change in informal employment per sector in South Africa, 2Q2021 - 2Q2026

	2Q2021		2Q2026		Change		Share of informal to total employment (%)
	Number	Share (%)	Number	Share (%)	Number	Percentage	
Total employment	**5 429 170**	**100.0%**	**5 417 379**	**100%**	**(11 791)**	**(0.2%)**	**32.4%**
Industry							
Agriculture	336 930	6.2%	488 693	9.0%	151 763	45.0%	51.8%
Mining	26 131	0.5%	34 946	0.6%	8 815	33.7%	7.8%
Manufacturing	396 511	7.3%	365 836	6.8%	(30 674)	(7.7%)	23.3%
Utilities	6 538	0.1%	7 939	0.1%	1 401	21.4%	7.7%
Construction	657 238	12.1%	637 342	11.8%	(19 896)	(3.0%)	47.1%
Trade	1381 960	25.5%	1013 825	18.7%	(368 135)	(26.6%)	29.9%
Transport	425 034	7.8%	430 831	8.0%	5 797	1.4%	38.9%
Finance	411 046	7.6%	671 020	12.4%	259 974	63.2%	22.7%
Community services	850 225	15.7%	903 283	16.7%	53 059	6.2%	24.0%
Private households	929 034	17.1%	863 664	15.9%	(65 370)	(7.0%)	79.1%

Source: Quantec, Own calculations

Between the 2nd quarters of 2021 and 2026, informal employment in South Africa fell marginally by 0.2 per cent, with declines concentrated in a few sectors. The largest decreases occurred in trade (26.6 per cent), manufacturing (7.7 per cent), and private households (7.0 per cent).

The finance sector added approximately 260 000 informal jobs, growing by 63.2 per cent and helping offset losses in other sectors.

Rising informality at both ends of the skills ladder

Informal employment in South Africa broadened in ways that challenged the traditional profile of informal workers, with notable shifts across population groups, gender and education cohorts.

Between the 2nd quarters of 2021 and 2026, informal employment increased sharply among the White population group (148.5 per cent), raising its share of informal employment from a low base. This indicated that informal employment arrangements increasingly affected groups that had historically been more securely attached to formal employment. Men accounted for the majority of informal employment (57.6 per cent) and male informal employment grew by 4.2 per cent, while female informal employment declined by 5.6 per cent.

Figure 3.5 Informal employment share within cohort (2Q2026) and growth (2Q2021 - 2Q2026) by cohort in South Africa



Source: Quantec, Own calculations

While informal work remained concentrated among lower-skilled workers, recent growth was driven by those with tertiary education (102.0 per cent). This suggested that more highly educated workers were increasingly pushed or pulled into informal, often more precarious, forms of work as formal job creation for skilled labour remained weak.

Informal employment in the Western Cape

Between the 2nd quarters of 2021 and 2026, informal employment in the Western Cape grew significantly faster than the national rate, exceeding it by 72.6 percentage points. Consequently, informal employment accounted for 54.4 per cent of the net increase in employment in the Province over this period. This indicates that, while the Province's overall employment base remained predominantly formal, a relatively large share of the new employment opportunities created during the period was in informal employment.

In the 2nd quarter of 2026, informal employment in South Africa was heavily concentrated among the African population group, which comprised 80.2 per cent of the informal workforce. In the Western Cape, informal employment was more evenly distributed across population groups, largely reflecting the Province's demographic composition relative to the national population profile.

Between the 2nd quarters of 2021 and 2026, informal employment among the White population group in the Western Cape expanded substantially, by 222.8 per cent (compared to a national increase of 148.5 per cent for this group). Informal-employment growth was 27.9 times total employment growth among the White population group, indicating substantial formal-employment losses over the period.

Among all population groups, the White population group in the Western Cape had the highest share of informal employment relative to total employment, at 30.6 per cent. This highlighted the increasing importance of informal employment for this population group.

Figure 3.6 Share of informal to total employment (2Q2026) and informal employment growth (2Q2021 - 2Q2026) in the Western Cape



Source: Quantec, Own calculations

The tertiary- and secondary-educated cohorts recorded unusually large increases in informal employment of 221.8 per cent and 94.4 per cent respectively. The significant rise in informal employment among more educated workers suggested that formal employment did not expand sufficiently to absorb secondary- and tertiary-educated cohorts. As a result, more educated workers appeared to have turned to freelance, contract or small-business activities outside the formal regulatory net.

Informal employment at district level

The Western Cape's labour market remained predominantly formalised in 2025, and the informal share declined over the preceding decade, although the quarterly estimates discussed above show informal employment rising sharply since 2021. Informal employment accounted for 18.8 per cent of total employment in the Province in 2025, 8.0 percentage points lower than a decade earlier. The sectors with the largest shares of informal employment were construction (30.9 per cent), trade (28.7 per cent), transport (26.9 per cent) and agriculture (22.9 per cent).

Although formal employment dominates across the Province, the share of informal employment varies between districts. The Overberg district recorded the highest proportion of informal employment (23.5 per cent), followed by the Garden Route (22.9 per cent) and the Cape Winelands (21.7 per cent) districts. These higher shares reflect the importance of sectors such as agriculture and tourism, where seasonal work, self-employment and smaller enterprises are more prevalent.

Case Study: Agri-Processing on Wheels - Supporting Rural Livelihoods in the Overberg

Agriculture remains one of the largest sources of employment in the Overberg district, but much of this employment is seasonal and characterised by periods of irregular work and income insecurity. To improve the resilience of rural livelihoods, the Western Cape Department of Agriculture launched its Agri-Processing on Wheels (APOW) initiative in Bredasdorp, Overberg, in May 2022. The initiative deploys a mobile processing facility equipped for fruit, vegetable and meat processing to farming communities across the Province, enabling small-scale producers and agri-entrepreneurs to access processing equipment, technical training and product development services closer to where they operate. By bringing processing facilities directly to rural areas, the initiative lowers barriers to entry for producers who would otherwise lack access to expensive processing infrastructure or value-addition opportunities.

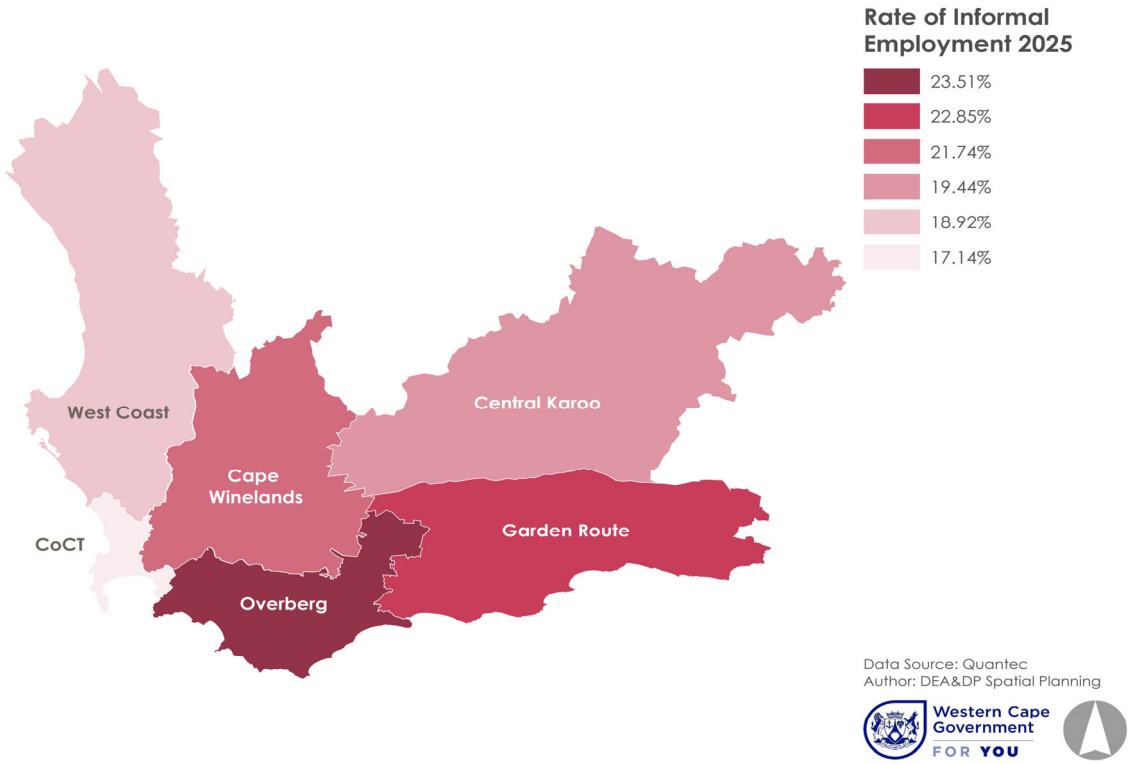
The initiative was intended to stimulate local economic development by enabling producers to transform raw agricultural products into higher-value goods, extending product shelf life, reducing post-harvest losses and creating new market opportunities. At the launch, the Western Cape Minister of Agriculture highlighted that the Overberg is the Province's second-largest agricultural region, with primary agriculture contributing approximately 9 per cent of the district's gross domestic product and agri-processing contributing a further 5 per cent. The district's strong horticulture and field crop industries were identified as key beneficiaries of the programme, while the mobile processing units allow training and processing services to reach producers in remote communities that previously had limited access to these resources.

Although APOW is not an employment programme in the traditional sense, it supports workers engaged in vulnerable forms of employment by improving the sustainability and profitability of small-scale agricultural enterprises. By creating opportunities for seasonal workers, smallholder farmers and agricultural entrepreneurs to diversify their income, develop processing skills and participate in higher-value agricultural value chains, the initiative can reduce income volatility and strengthen rural livelihoods. It also enables producers to generate greater value from agricultural outputs through local processing, helping to create additional income-generating opportunities beyond primary production. For the Overberg, where agriculture remains a cornerstone of the local economy, initiatives that strengthen value addition and enterprise development can improve the resilience of rural livelihoods while contributing to employment creation, economic diversification and more inclusive growth.

Sources: Food for Mzansi (2022), Western Cape Department of Agriculture (2022)



Figure 3.7 Share of informal employement per district, 2025



Formal employment dynamics

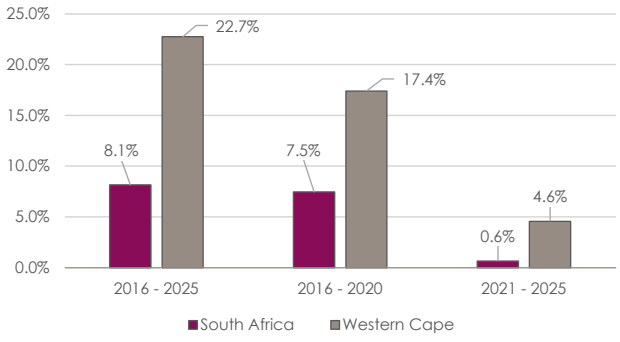
Estimated formal employment can be measured with two methods, and each tells us something slightly different about the labour market. Survey-based estimates are derived from sampled households or enterprises and then weighted up to represent the whole economy; they capture jobs regardless of whether workers or firms are fully compliant with tax or registration requirements but are subject to sampling and reporting error.

Tax-based measures, by contrast, are built from administrative records such as PAYE and company tax data; they typically provide more precise counts of registered, tax-paying jobs, but exclude non-compliant firms and workers and may under-represent smaller or informal businesses. These approaches offer complementary perspectives on formal employment: one based on statistical inference from samples, the other on administrative compliance and recorded payrolls.

For both South Africa and the Western Cape, formal employment growth in the second half of the decade (2021 to 2025) was significantly lower than in the first half (2016 to 2020). The Western Cape's growth in formal employment decreased from 17.4 per cent in the first five tax years[1] to only 4.6 per cent recorded in the second five tax years. These findings are consistent with the Organisation for Economic Co-operation and Development (OECD), which argues that South Africa's weak economic growth, declining private investment and persistent structural constraints have limited the capacity of firms to expand formal employment (Organisation for Economic Co-operation and Development, 2022).

Over the past decade, formal employment derived from SARS tax data increased by 8.1 per cent in South Africa. Over the same period, the Western Cape's formal employment expanded significantly at 22.7 per cent, the highest employment growth of any province. As a result, the Western Cape also made the largest contribution to formal employment growth (48.9 per cent).

Figure 3.8 Formal employment growth in South Africa and Western Cape, 2016 - 2025



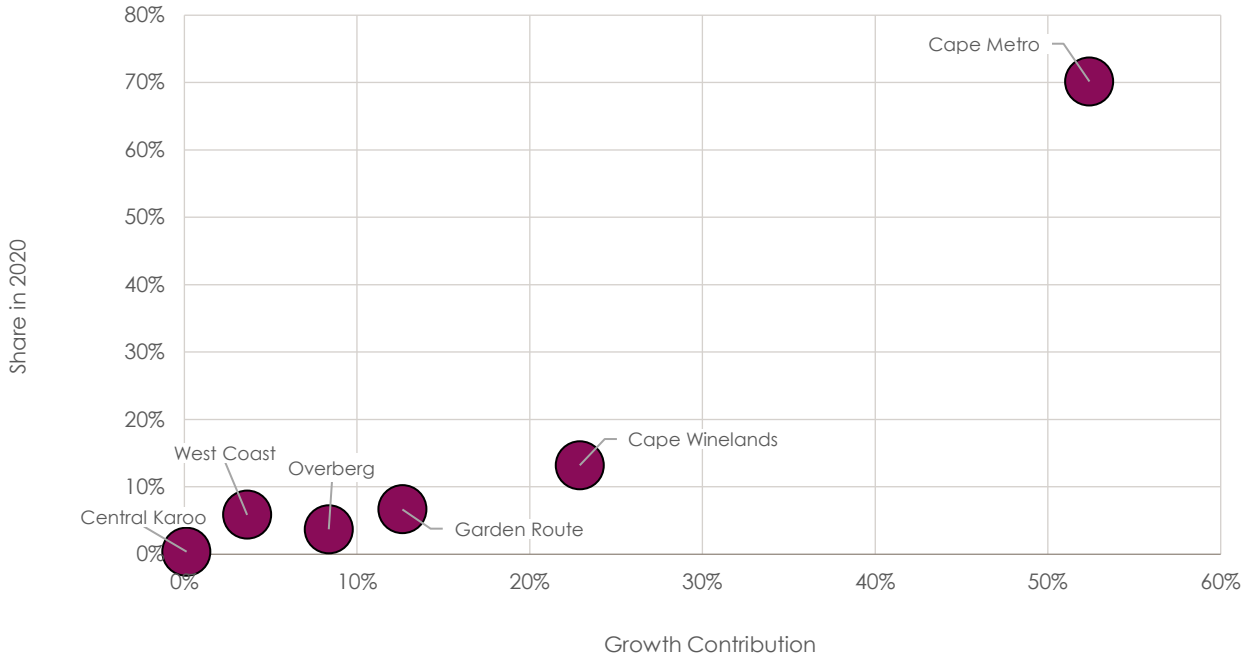
Source: South African Revenue Service, Human Sciences Research Council, Own calculations

[1] Tax year 2025 is from March 2024 to February 2025

Within the Western Cape, the Overberg (10.3 per cent), Garden Route (8.6 per cent) and Cape Winelands (7.9 per cent) districts recorded the highest formal employment growth rates between the 2021 and 2025 tax years.

Although the Cape Metro's contribution to total formal employment in the Western Cape was the most significant in the 2020 tax year (70.2 per cent), its growth contribution over the following five tax years was significantly less (52.4 per cent).

Figure 3.9 Formal employment growth contribution (2021 - 2025) and share (2020) of Western Cape total formal employment



Source: South African Revenue Service, Own calculations

In contrast, the Cape Winelands (9.7 percentage points), Garden Route (6.0 percentage points) and Overberg (4.6 percentage points) districts' contribution to formal employment growth between the 2021 and 2025 tax years exceeded their shares of total formal employment in the 2020 tax year.

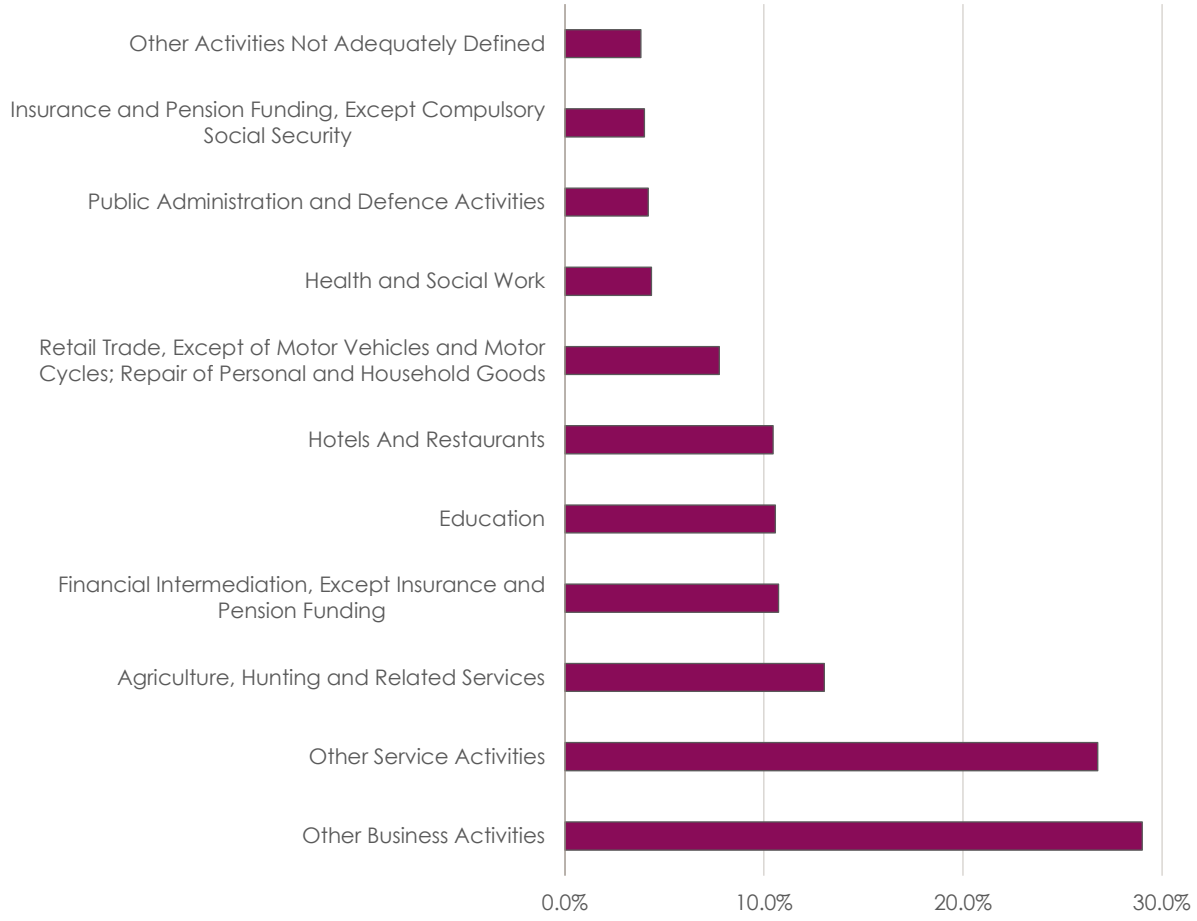
By implication these districts outperformed in terms of formal employment growth when their relative size is considered over the five-year tax period.

Between the 2021 and 2025 tax years, other business activities (29.0 per cent) and other service activities (26.8 per cent) contributed more than half of all formal employment growth in the Province. This underscores the growing importance of business support services, professional services, administrative activities and a broad range of personal and community services in driving employment in the Province. This pattern is consistent with the Western Cape's increasingly knowledge- and services-based economy, where demand for business and support services has continued to expand alongside overall economic growth.

Notable contributions to formal employment growth were also made by agriculture, hunting and related services (13.0 per cent), reflecting the continued importance of the Province's agricultural value chains and export-oriented agri-processing sector. This was followed by financial intermediation (excluding insurance and pension funding) and education, each contributing around 11.0 per cent.

Hotels and restaurants accounted for 10.5 per cent. The relatively strong contribution from accommodation and food services reflects the recovery and expansion of tourism following the COVID-19 pandemic, while growth in financial services and education points to increasing demand for skilled labour and knowledge-intensive activities. The diversity of these sectors suggests that employment growth was supported by both traditional industries, such as agriculture, and higher-value service sectors.

Figure 3.10 Formal employment growth contribution (2021 - 2025) in the Western Cape by top eleven industries



Source: South African Revenue Service, Own calculations

Case Study: Using Tax Data to Develop a Monthly Employment Indicator in New Zealand

New Zealand provides a useful example of how administrative tax records can complement traditional labour force surveys to improve labour market monitoring. In 2019, Statistics New Zealand (Stats NZ) introduced the Monthly Employment Indicator (MEI), an administrative dataset derived from Pay-As-You-Earn (PAYE) records submitted by employers to Inland Revenue. The indicator was designed to complement New Zealand's existing suite of labour market statistics by providing a more timely measure of filled jobs and gross earnings, with its development driven by demand from the Reserve Bank of New Zealand and the Ministry of Business, Innovation and Employment for earlier insights into labour market conditions. The MEI proved particularly valuable during the COVID-19 pandemic, when policymakers required near real-time information on rapidly changing labour market conditions. Unlike household or business surveys, which are constrained by sample sizes and publication lags, the MEI is compiled from payroll information covering virtually all employers that are legally required to submit PAYE returns, enabling the production of monthly employment estimates within four weeks of the reference period.

The use of administrative tax data also enabled Stats NZ to produce highly detailed employment statistics that would have been difficult to obtain from conventional survey data. During the pandemic, Stats NZ developed a tourism-specific employment indicator using PAYE records linked to the national Statistical Business Register, allowing employment trends to be monitored at a detailed industry level as international border closures severely affected the sector. The administrative data captured full-time and part-time employees, international workers and self-employed individuals who paid themselves a salary, providing policymakers with timely evidence to assess the economic impact of the crisis and support targeted interventions. The experience demonstrated that tax-based administrative data can substantially enhance the responsiveness of official labour market statistics by producing more granular and frequent estimates than traditional survey approaches.

The New Zealand experience also highlights the institutional requirements needed to successfully utilise administrative employment data. The production of the MEI relied on strong collaboration between Inland Revenue and Stats NZ, modernised digital tax reporting systems, comprehensive business registers that linked payroll records to industries, and robust quality assurance processes to identify missing or anomalous data. Because payroll records can be updated after submission, monthly estimates are revised over a three-month period to improve accuracy, while statistical techniques such as imputation are used to address incomplete reporting. These quality control mechanisms ensure that the advantages of administrative data, its coverage and timeliness are balanced against the practical challenges associated with processing large administrative datasets.

Although tax-based employment statistics offer significant advantages, the New Zealand case also illustrates why they should be viewed as complementary rather than as replacements for labour force surveys. Administrative data exclude workers and businesses operating outside the tax system, do not capture occupations because this information is not required for taxation purposes, and require periodic revisions as payroll records are updated. Surveys remain essential for measuring broader labour market outcomes such as unemployment, labour force participation and informal employment, while administrative datasets provide highly accurate information on registered employment and earnings. Taken together, New Zealand's experience demonstrates how integrating survey and administrative data can provide policymakers with a more comprehensive, timely and reliable understanding of labour market dynamics than either source can provide independently.

Source: Organisation for Economic Co-operation and Development (2025)



3.4 Unemployment

South Africa's chronically high unemployment exhibits structural persistence driven by capital-intensive growth, spatial barriers, and income inequality (Seekings & Nattrass, 2005). This joblessness reinforces intergenerational poverty by limiting investments in human capital (Hall et al., 2014) and fuels social frustration that triggers protests over service delivery, wages, and governance (von Holdt, 2013).

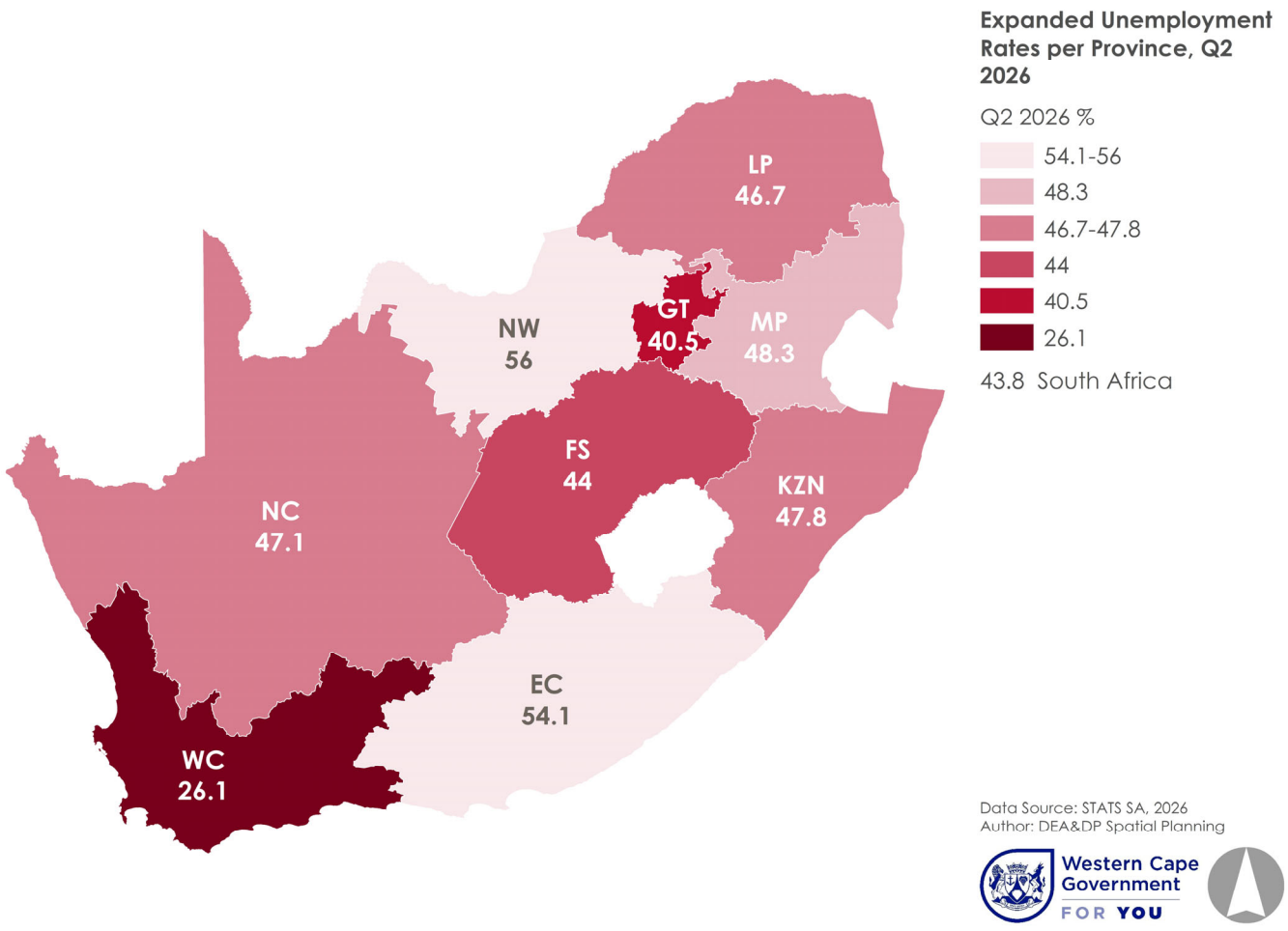
Expanded unemployment: A provincial overview

The true scale of South Africa's unemployment crisis becomes clearer when using the expanded definition of unemployment. In the 2nd quarter of 2026, the expanded unemployment rate in South Africa stood at 43.8 per cent.

The expanded unemployment rate was far lower in the Western Cape at 26.1 per cent, the lowest among all provinces, implying that just over a quarter of the Province's expanded labour force (which includes those who wanted to work but were not actively seeking employment) were without work during the quarter.

By contrast, more than half of the expanded labour force in North West (56.0 per cent) was unemployed, the highest expanded unemployment rate in the country. Furthermore, Gauteng, the largest provincial economy in South Africa, had the second-lowest expanded unemployment rate in South Africa at 40.5 per cent, yet still a significant 14.4 percentage points above that of the Western Cape.

Figure 3.11 Expanded unemployment rates per province, 2Q2026



Note: Quantec labour market estimates are model-based and integrate multiple data sources, including Stats SA's Mid-Year Population Estimates, National Accounts, Quarterly Employment Statistics, Population Census and Agricultural Survey. As a result, estimates may differ from those reported in the Quarterly Labour Force Survey (QLFS).

Narrow unemployment in South Africa

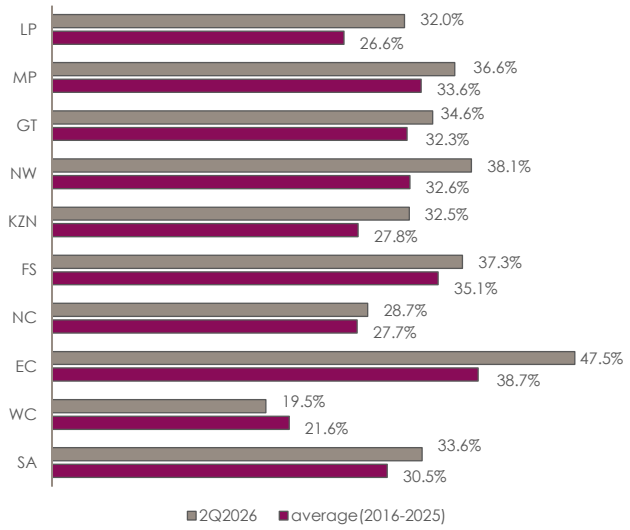
In the 2nd quarter of 2026 South Africa's narrow and official unemployment was just over a third, at 33.6 per cent, only 0.7 percentage points lower than the same quarter five years ago. The persistently high level nevertheless illustrates the deeply entrenched structural nature of the unemployment crisis in South Africa. In contrast, the Western Cape's unemployment rate was 14.1 percentage points lower than South Africa at 19.5 per cent; and 6.6 percentage points lower than the expanded unemployment rate of the Western Cape.

The Western Cape's unemployment rate was by far the lowest in the country; 9.2 percentage points lower than the Northern Cape which had the second lowest unemployment rate among provinces at 28.7 per cent.

To place the 2nd quarter of 2026 unemployment rate into context, it is useful to examine longer-term trends in unemployment.

In the 2nd quarter of 2026, in all provinces, except the Western Cape, unemployment rates were higher than its average unemployment rate of the past decade. In the 2nd quarter of 2026, the Western Cape's unemployment rate was 2.1 percentage points lower than its average over the past decade. This signifies that the Western Cape labour market is on an upward cycle relative to its longer-term trend.

Figure 3.12 Provincial unemployment rates, 2Q2026; average (2016 - 2025)



Source: Quantec, Own calculations

In contrast, South Africa's unemployment rate in the same quarter was 3.1 percentage points higher than its average over the past decade.

Unemployment by population cohort

Between the 2nd quarters of 2021 and 2026, the number of unemployed individuals in South Africa expanded by 8.4 per cent. As a result, South Africa added an additional 654 713 unemployed people over the five-year period. The African population cohort contributed the majority of additional unemployed individuals.

The large contribution of the African population cohort to total unemployment growth can be attributed to a combination of underlying factors, of which its significant contribution to the growth of the working-age population (101.5 per cent) and labour force (92.1 per cent) are important factors to consider.

Another important factor is the share of new labour force entrants who were unable to secure employment. Among the African population cohort, 32.2 per cent of those entering the labour force between the 2nd quarters of 2021 and 2026 did not find employment. In contrast, the Coloured population cohort's net unemployment count decreased by 55 260 (or 28.9 per cent relative to the net labour force expansion).

Labour trends of the past five years among the White population were an anomaly in South Africa. The White population was the only population group with a decline in its working-age population (-184 295 people), labour force (-3.3 per cent) and employment numbers (-3.8 per cent) when the 2nd quarters of 2021 and 2026 are compared.

However, despite the decline in the White population's labour force, the number of unemployed individuals increased by 1.9 per cent, equivalent to an additional 3 128 unemployed people. This indicates that the increase in unemployment did not result from new labour force entrants during the period, but rather from individuals who were already part of the labour force before 2nd quarter 2021 and who subsequently became unemployed.

The decline in the White working-age population is likely linked to net emigration combined with low fertility. Statistics South Africa (Stats SA) projects a net loss of 94 898 White South Africans through international migration between 2021 and 2026, while the group's fertility rate has historically remained below replacement level. Together, these trends reduce the size of younger cohorts entering working age and the overall working-age population (Stats SA, 2011; 2026).

Table 3.6 Growth in unemployment by population cohort in South Africa and other labour indicators, 2Q2021 - 2Q2026

Absolute change in key labour indicators					Unemployment
	Working population	*Labour force*	*Employment*	*Unemployment*	*Growth (2Q2021-2Q2026)*
Total	2 710 387	2 451 765	1 797 052	654 713	8.4%
African	2 750 342	2 257 146	1 531 306	725 840	10.4%
Coloured	103 409	191 069	246 329	(55 260)	(9.8%)
White	(184 295)	(63 542)	(66 670)	3 128	1.9%
Growth contribution of each population group by labour indicator					
	Working population	*Labour force*	*Employment*	*Unemployment*	
Total	100.0%	100.0%	100.0%	100.0%	
African	101.5%	92.1%	85.2%	110.9%	
Coloured	3.8%	7.8%	13.7%	(8.4%)	
White	(6.8%)	(2.6%)	(3.7%)	0.5%	

Source: Quantec, Own calculations

Educational attainment and unemployment rates

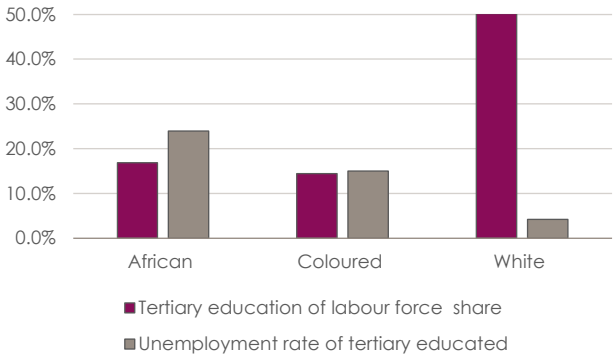
Educational attainment was an important factor shaping unemployment outcomes across South Africa's population groups, although it did not fully account for differences observed within the same qualification category.

Differences in unemployment rates across population groups partly reflected disparities in educational attainment (see Figure 3.13). In the 2nd quarter of 2026, the White population recorded the highest proportion of individuals with tertiary qualifications, at 50.2 per cent, alongside the lowest unemployment rate, at 9.1 per cent.

By contrast, the African population had a substantially smaller share of tertiary-qualified individuals, at 16.8 per cent, and experienced the highest unemployment rate, at 37.6 per cent. This pattern indicated a negative relationship between the share of the labour force with higher qualifications and the unemployment rate.

However, this relationship did not hold consistently when unemployment rates were compared across population groups within the same education cohort. Among those with tertiary qualifications in the 2nd quarter of 2026, the White population recorded the lowest unemployment rate, at 4.2 per cent, followed by the Coloured population at 15.0 per cent and the African population at 23.9 per cent.

Figure 3.13 Portion of labour force with Tertiary education and the unemployment rate of tertiary education cohort by population group in South Africa, 2Q2026



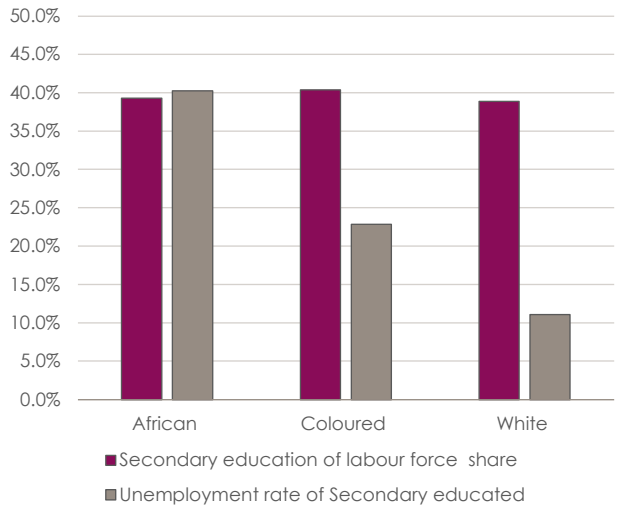
Source: Quantec, Own calculations

The disparities in unemployment rates among different population groups within the same education cohort were also evident when population groups with secondary educational attainment were compared (Figure 3.14).

While all population groups had a similar share of their labour force with a secondary education, unemployment rates differed significantly across population groups within this education cohort.

In the 2nd quarter of 2026, the African population with secondary educational attainment had the highest unemployment rate (40.3 per cent); followed by the Coloured (22.9 per cent) and White (11.1 per cent) population groups.

Figure 3.14 Portion of labour force with Secondary education and the unemployment rate of Secondary education cohort by population group in South Africa, 2Q2026



Source: Quantec, Own calculations

The differences in unemployment rates across population groups within the same education cohort suggest that a similar level of formal education did not provide equal access to employment. Educational categories may conceal differences in the quality of schooling, skills acquired, institutional reputation, and access to work experience. Historically disadvantaged groups also faced greater spatial barriers, higher job-search costs, and weaker access to employment networks, which reduced their likelihood of finding work.

These disparities may further reflect differences in employment stability and employer selection practices. Research shows that race and prior work experience influenced labour-market transitions in South Africa, while racial differences in graduate employment outcomes were partly associated with inequalities in educational institutions and their perceived quality (Anand et al., 2016; Van Broekhuizen, 2016). Thus, education alone was insufficient to overcome the structural inequalities that continued to shape labour-market outcomes.

The value of an educated workforce

While a relatively high proportion of the labour force with tertiary educational attainment clearly led to improved employment outcomes compared with a workforce comprising relatively less educated individuals under the same economic circumstances, the shift towards a generally more educated workforce did not necessarily lead to favourable labour-market outcomes without sufficient economic growth.

Since 2008, South Africa had moved towards a more educated workforce, as the shares of the labour force with secondary education and tertiary education had increased significantly by 10.6 percentage points and 5.5 percentage points, respectively. However, a more educated workforce was not accompanied by lower unemployment rates. Over the same period, South Africa's unemployment rate increased by 10.4 percentage points.

Young people were exposed to a relatively weaker economy which did not create sufficient employment opportunities to absorb new entrants into the labour force. As a result, South Africa's youth unemployment rate stood at 47.4 per cent in the 2nd quarter of 2026, 14.7 percentage points higher than in the 1st quarter of 2008 (32.7 per cent).

Unemployment in the Western Cape

While the Western Cape outperforms other South African provinces with the country's lowest official and expanded unemployment rates, the Province still faces high unemployment by international standards. For comparison, the average unemployment rate in Sub-Saharan Africa was estimated at 5.7 per cent in 2025 by the World Bank (World Bank, 2026). High unemployment is a major driver of social friction and crime, and continually widens the income and wealth gap within the Western Cape.

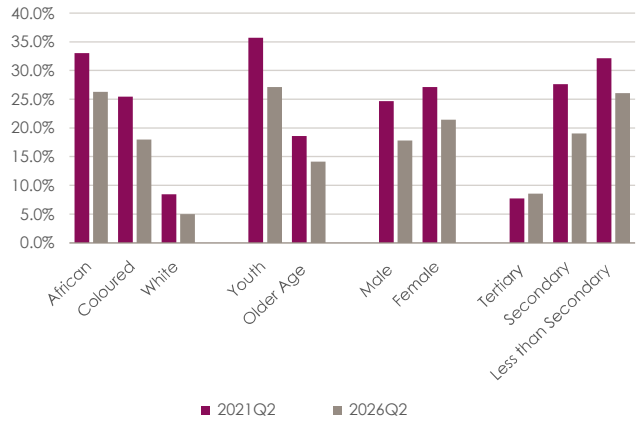
In Figure 3.15 a comparison between the 2nd quarters of 2021 and 2026 shows that the unemployment rate for the Western Cape decreased by 6.3 percentage points to 19.5 per cent. This highlights the resilience of the Province's labour market within a sluggish national economy and suggests that the Province's sustained employment performance may, in part, reflect the positive effects of policy interventions, employment initiatives and a supportive governance environment.

With the exception of the tertiary educated cohort, where the unemployment rate increased marginally by 0.8 percentage points, the unemployment rate declined among all major cohorts in the Province. Among the largest reductions were those among the youth population (from 35.7 per cent to 27.1 per cent or a decrease of 8.6 percentage points) and Coloured population (from 25.5 per cent to 18.0 per cent, or 7.5 percentage points), although youth unemployment remained the highest of all cohorts.

The improvement in the unemployment rates among these cohorts was due to a significant growth in employment over the same period in both cohorts. Between the 2nd quarters of 2021 and 2026, employment in the Coloured population increased by 23.9 per cent, while employment among the youth cohort grew by 28.1 per cent.

The unemployment rate also declined among the less than secondary (6.0 percentage points) and secondary educated (8.6 percentage points) education groups.

Figure 3.15 Unemployment rates per cohort in the Western Cape, 2Q2021 - 2Q2026



Source: Quantec, Own calculations

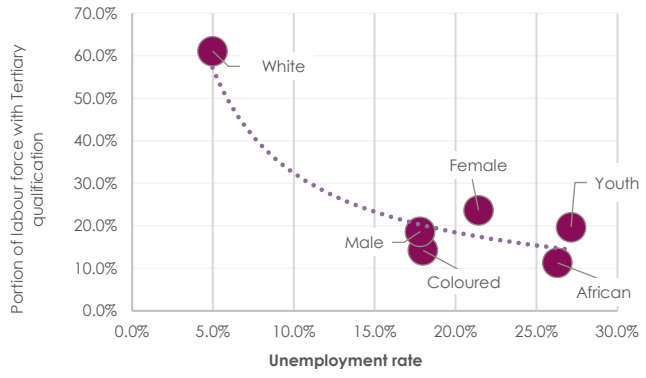
Factors that influence unemployment rates

Underlying labour statistics of the Western Cape support the notion that higher education provides the labour market participant with relatively better employment prospects.

Figure 3.16 shows a clear negative correlation across cohorts between the unemployment rate and the portion of the labour force with tertiary qualifications. The White population cohort, for example, combines the lowest unemployment rate (5.0 per cent) with the highest tertiary share (61.1 per cent).

However, as discussed under the national unemployment section, this correlation does not always hold. Among gender cohorts, the female unemployment rate was 3.6 percentage points higher than male cohorts, even though the share of women in the labour force with tertiary qualifications was 5.0 percentage points higher.

Figure 3.16 Correlation between unemployment rate and portion of labour force with Tertiary qualifications in the Western Cape, 2Q2026



Source: Quantec, Own calculations

The growth in the labour force largely determines the potential growth in employment. As discussed, between the 2nd quarters of 2021 and 2026, the labour force of the African population (22.2 per cent) increased significantly more when compared to the Coloured (12.6 per cent) and White (4.0 per cent) population groups.

Furthermore, over the same period employment growth among the African (12.2 percentage points) and Coloured (11.3 percentage points) populations exceeded their labour force growth, as did the White population's (by 4.0 percentage points).

Although the African population continued to record the highest unemployment rate in the Western Cape, it made gains over the five-year period, narrowing its unemployment-rate gap with the White population group by 3.2 percentage points. However, its unemployment-rate gap with the Coloured population group rose slightly by 0.8 percentage points over the same period.

Labour force sensitivity

Between the 2nd quarters of 2021 and 2026, the relationship between labour force growth and the proportion of additional labour absorbed into employment reveals a strong positive correlation yet varying levels of employment sensitivity across different cohorts in the Western Cape.

The African population accounted for the largest share of labour force growth across all education cohorts: 44.5 per cent among the tertiary educated, 55.9 per cent among those with secondary education, and 5.6 times the Province's net increase among those with less than secondary education.

Furthermore, African workers accounted for the largest share of employment gains across all education cohorts over the same period: 37.7 per cent among those with tertiary education, 48.5 per cent among those with secondary education, and 86.1 per cent among those with less than secondary education.

As a result, the African population had the largest share (48.1 per cent) of total employment gains in the Western Cape, followed by the Coloured (40.2 per cent) and White populations (6.2 per cent).

Although the Coloured population accounted for 29.1 per cent of the Western Cape's tertiary-educated labour force in the second quarter of 2026, it contributed only 15.8 per cent of the growth in this labour force over the five-year period. Despite this relatively modest expansion in the labour force, the number of tertiary-educated Coloured people in employment increased by 20 539, equivalent to 89.6 per cent of the 22 923 person increase in the labour force. This suggests that most of the additional tertiary-educated Coloured labour force was absorbed into employment over the period.

Among Coloured people with 'less than secondary' education, the labour force declined by 28 571 people over the five-year period. This occurred despite an increase of 20 717 employed people in this cohort, indicating that the decline was driven primarily by a substantial reduction in the number of unemployed people. The number of unemployed people leaving the labour force was approximately 2.4 times greater than the number of employed people entering the labour force, resulting in a

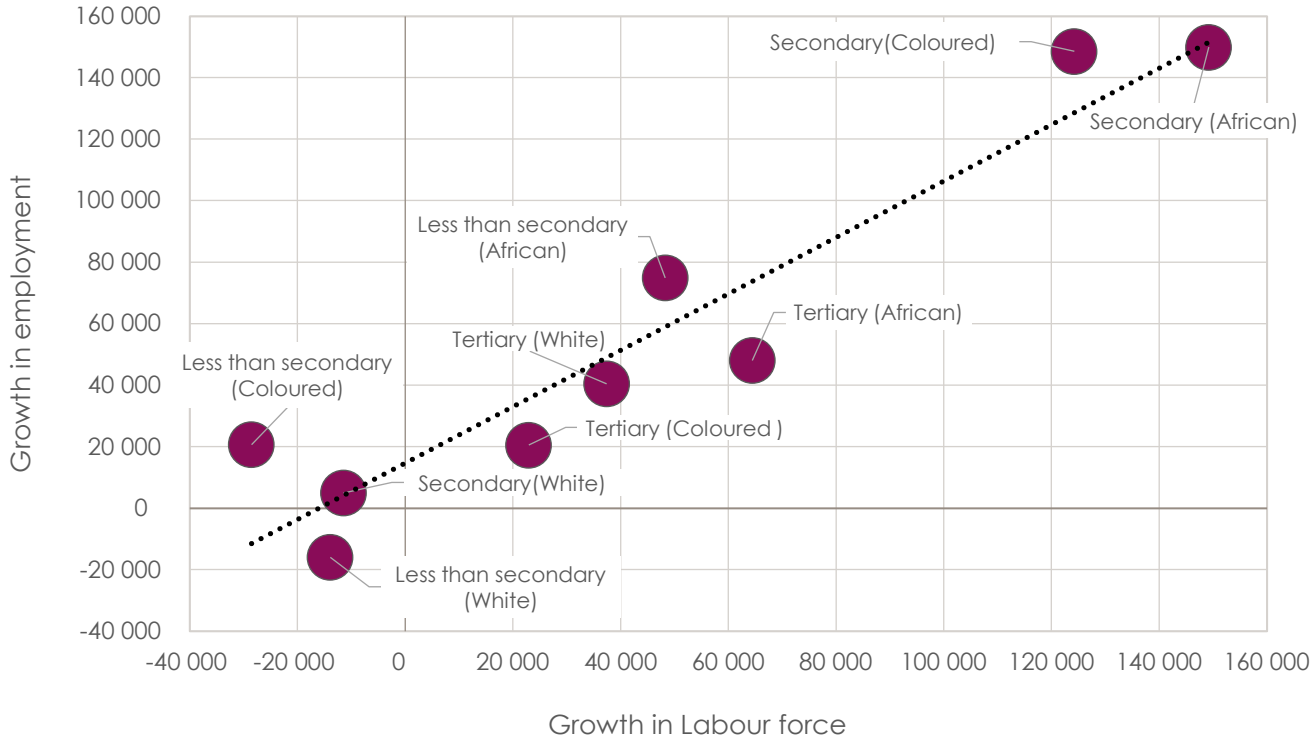
decline in the unemployment rate for this education cohort.

However, the White population cohort with 'less than secondary' qualifications recorded the largest employment loss over the period (15 958 people), and as a consequence its labour force declined by 13 944 people. These employment losses were more than offset by employment growth among the White population with tertiary qualifications, which gained 40 465 jobs over the period. This was supported by the entry of 37 379 additional people into the labour force, with employment growth exceeding the increase in the labour force, as reflected in a labour-force absorption rate of 108.3 per cent.

The Province's relative advantage requires continued support for private-sector investment, labour-intensive growth, skills development, enterprise formation and pathways into employment for those still excluded from the benefits of an otherwise resilient provincial labour market.



Figure 3.17 Correlation between labour force and employment growth in the Western Cape by race and education cohorts, 2Q2021 - 2Q2026



Source: Quantec, Own calculations

3.5 Conclusion

The Western Cape continued to outperform the rest of South Africa's labour market between the 2nd quarters of 2021 and 2026, recording the country's largest employment growth contribution and lowest unemployment rate. Over the period, employment in the Province expanded by 25.6 per cent (579 000), more than double the national growth rate. This confirms the Western Cape as a major driver of net job creation over the period, while unemployment declined across all major demographic groups, except for the tertiary education cohort.

Job creation was underpinned by strong growth in agriculture and trade, with tax-based data further indicating that business services, financial intermediation, education and hospitality were key contributors to formal employment growth. These trends reinforce the Province's position as one of South Africa's most dynamic labour markets and highlight the importance of maintaining a diversified economic base to sustain employment creation.

Within the Western Cape, labour force participation increased across most demographic groups between the 2nd quarters of 2021 and 2026, reflecting growing confidence in the provincial labour market and encouraging more working-age individuals to actively seek employment.

Compared with South Africa as a whole, the Western Cape maintained a more formalised labour market, although informal employment accounted for more than half (54.4 per cent) of the Province's net employment gains between 2nd quarters of 2021 and 2026.

Despite these positive outcomes, the data examined points to an increasingly skills-biased labour market in the Western Cape. Employment growth was concentrated among workers with secondary and tertiary qualifications, while unemployment remained highest among youth, Africans and lower-skilled workers despite notable improvements over the period.

At the same time, the rapid growth in informal employment, particularly among secondary- and tertiary-educated workers, suggests that formal job creation has not kept pace with the growing supply of educated labour. District-level differences further demonstrate that labour market outcomes are shaped more by local economic structures than geographic proximity to Cape Town (the Province's main economic hub), with rural districts such as the Overberg, Garden Route and Cape Winelands recording higher labour force participation than the Cape Metro and formal employment growth contributions above their shares of formal employment.

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4

Demographic Profile

The Western Cape's demographic profile continues to evolve as population growth, sustained in-migration, declining fertility and increasing longevity reshape the size, age structure and spatial distribution of the population. The Province remains one of South Africa's principal destinations for migrants and is projected to continue growing despite fertility remaining below replacement level. At the same time, a declining share of children and a growing older population signal a more advanced stage of demographic transition, with important implications for labour supply, infrastructure, healthcare, education and other public services (Stats SA, 2026a).

These demographic shifts are unfolding alongside uneven socio-economic outcomes. While the Western Cape performs comparatively strongly in life expectancy, educational attainment and overall human development, poverty has increased since 2023 and income inequality has widened across the Province. Spatial disparities between the Cape Metro and districts further demonstrate that demographic and economic progress is not experienced uniformly. Understanding how population dynamics interact with poverty, inequality and human development is therefore critical to informing inclusive growth, spatial planning and the effective targeting of public resources.



DEMOGRAPHIC PROFILE OF THE WESTERN CAPE



HUMAN DEVELOPMENT A RELATIVE STRENGTH
Second-highest provincial Human Development Index

Western Cape HDI

0.75 (2016) to 0.77 (2025)

Improving Human Development

HDI Comparison

South Africa	0.74
Western Cape	0.77
Gauteng	0.78

0.800: very high threshold; no province reaches it

Highest Life Expectancy in South Africa

MEN 67.0 years

WOMEN 72.8 years

MIGRATION IS RESHAPING THE PROVINCE
Opportunity and pressure arrive together

+319 053 Net migration gain 2021 - 2026
Second only to Gauteng



OPPORTUNITY

Workforce | Skills Base | Consumer Market

PRESSURE

Urban Growth | Infrastructure | Service Demand

A DUAL DEMOGRAPHIC TRANSITION
A large working-age population alongside a growing older population



1.77
children per woman

Below replacement level



70.2%
aged 15-64

Western Cape	70.2%
South Africa	67.2%



12.4%
aged 60+

Rising care needs

Chronic care | Long-term care | Age-responsive services

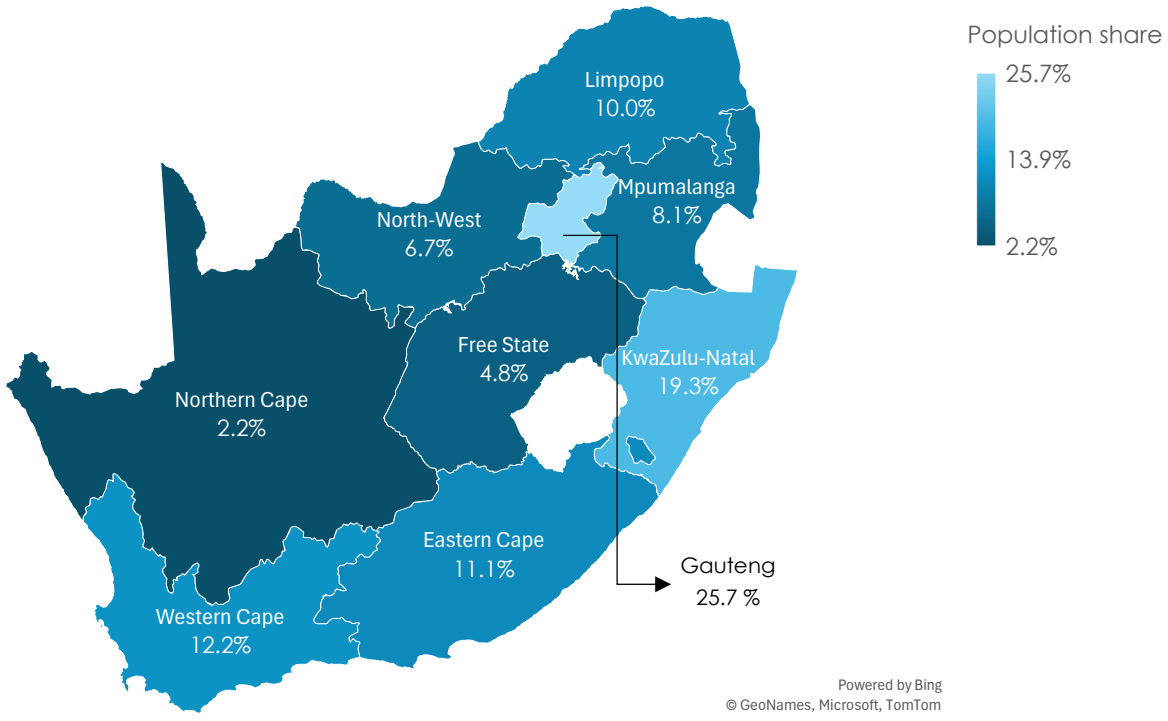
4.1 Population dynamics

Population dynamics reflect changes in the size, structure and spatial distribution of populations, driven primarily by fertility, mortality and migration. These shifts shape labour supply and demand for housing, education, healthcare, infrastructure and social protection, making demographic trends central to long-term planning and resource allocation (Stats SA, 2026a; ILO, 2026).

The economic and social implications of demographic change also vary according to where countries and regions are positioned in the demographic transition. In many economies, declining fertility and increasing longevity are contributing to population ageing and slower growth in the working-age population, with implications for labour supply, productivity, public finances and demand for health and care services (OECD, 2025). Conversely, countries with relatively large youth cohorts have the potential to realise a demographic dividend as younger generations enter the working-age population. However, this opportunity is not automatic and depends on sufficient investment in education, skills, health, productive employment and economic opportunities. Weak productivity growth and a shortage of decent employment can constrain the ability of countries to translate favourable demographic structures into improved living standards (ILO, 2026).

Population dynamics are also spatially uneven, as migration and urbanisation redistribute populations towards particular cities, regions and economic centres. Continued urban growth can strengthen the economic benefits associated with concentrated markets, skills and services, but can simultaneously increase pressure on housing, transport networks, land, municipal services and climate-resilient infrastructure (IOM, 2026; UN-Habitat, 2026). These dynamics are especially relevant in South Africa, where internal and international migration continue to shape provincial population distribution. The latest estimates indicate that Gauteng and the Western Cape experienced the largest inflows of migrants over the 2021 - 2026 period (Stats SA, 2026). A nuanced understanding of population dynamics is therefore essential for aligning economic and spatial planning, infrastructure investment and service-delivery capacity with changes in where people live, the age structure of the population and the pace of demographic transition.

Figure 4.1 Population Estimates by Province, 2026



Source: Stats SA, Mid-year Population Estimates, 2026

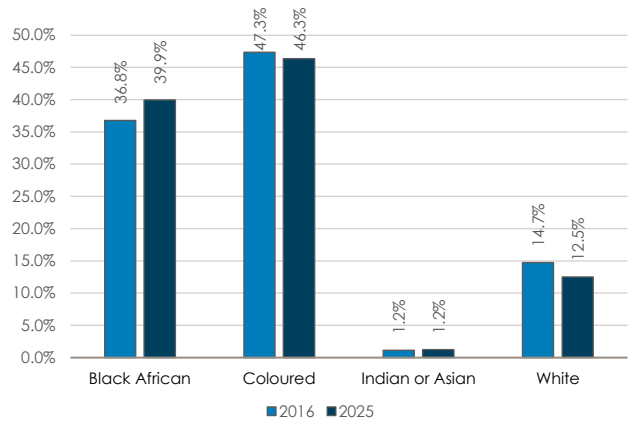
Figure 4.1 illustrates the distribution of South Africa's population across the nine provinces in 2026. The national population is estimated at approximately 63.5 million people, with Gauteng remaining the most populous province at 16.295 million, or 25.7 per cent of the national population. KwaZulu-Natal follows with 12.283 million people (19.3 per cent), while the Western Cape accounts for 7.722 million people (12.2 per cent). Collectively, these three provinces accommodate 57.1 per cent of South Africa's population, highlighting the continued spatial concentration of the population in the country's major economic and urban centres. At the other end of the distribution, the Northern Cape remains the least populous

province, with approximately 1.382 million residents, or 2.2 per cent of the national population (Stats SA, 2026).

The provincial distribution of the population continues to be shaped by both natural population change and migration, with the latter particularly important for Gauteng and the Western Cape. Between 2021 and 2026, these provinces recorded the strongest estimated net migration gains, reinforcing their role as major destinations for people seeking employment, education and economic opportunities (Stats SA, 2026). The Western Cape's share of the national population has consequently increased from 11.0 per cent in 2006 to 12.2 per cent in 2026, while Gauteng's share rose from 21.3 per cent to 25.7 per cent over the same period. By contrast, the Eastern Cape's share declined from 14.1 per cent to 11.1 per cent, reflecting the continuing redistribution of South Africa's population towards urban and economic centres.

This concentration creates both economic opportunities and significant planning pressures. South Africa's cities have the potential to generate productivity and agglomeration benefits, but persistent spatial fragmentation, limited access to well-located housing and inefficient urban mobility constrain these gains. Recent World Bank analysis characterises this as "urban immobility", whereby the spatial separation between residential areas and centres of economic activity limits access to jobs and weakens the inclusiveness of urban growth (World Bank, 2025). Recent IMF analysis similarly finds that spatial exclusion remains an important contributor to unemployment and inequality: long commuting times are associated with materially higher unemployment, while improved transport connectivity and access to well-located housing could strengthen spatial integration and reduce inequality (Meleshchuk and Schauer, 2026).

Figure 4.2 Western Cape by share of population group, 2016 - 2025

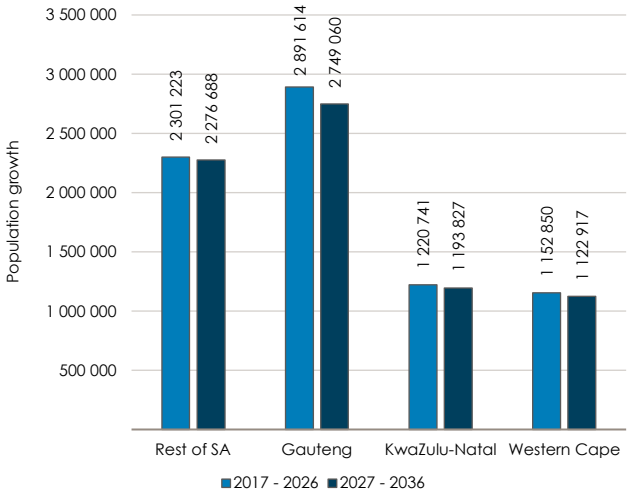


Source: Quantec Research , Population, Number of Households and Densities by population group at 2016 local municipal/ward-based metro region level

As illustrated in Figure 4.2, the Coloured population group remained the largest population group in the Western Cape in 2025, accounting for 46.3 per cent of the population, followed by the African population group at 39.9 per cent. Between 2016 and 2025, the African population group share increased by 3.1 percentage points, from 36.8 per cent to 39.9 per cent, while the Coloured population group share declined by 1.0 percentage point, from 47.3 per cent to 46.3 per cent. The White population share declined from 14.7 per cent to 12.5 per cent, while the Indian/Asian share remained unchanged at 1.2 per cent (Quantec Research, 2026).

These shifts occurred alongside substantial provincial population growth. The Western Cape population increased from approximately 6.59 million in 2016 to 7.63 million in 2025, an increase of just over 1 million people. In absolute terms, the Black African population recorded the largest increase, rising by approximately 625 000 people, followed by the Coloured population, which increased by approximately 417 000 people. The changing population composition therefore reflects different rates of growth across population groups within an expanding provincial population.

Figure 4.3 Population Growth and Expected Population Growth by Province, 2017 - 2036



Source: Stats SA, Own calculations, Mid-year Population Estimates, 2026

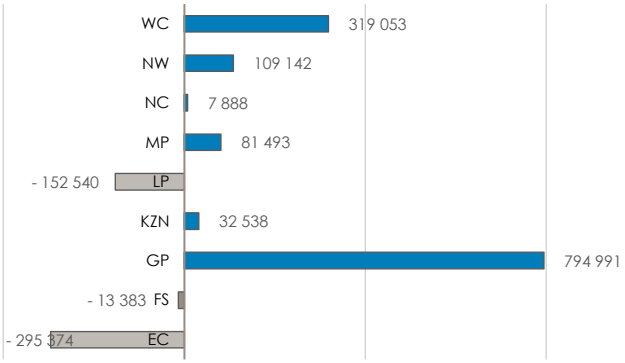
Figure 4.3 presents historical and projected population growth across Gauteng, KwaZulu-Natal, the Western Cape and the rest of South Africa. Between 2017 and 2026, South Africa's population increased by approximately 7.566 million people. Gauteng recorded the largest increase, at 2.892 million, followed by the combined rest of South Africa at 2.301 million, KwaZulu-Natal at 1.221 million and the Western Cape at 1.153 million. Despite its smaller population base, the Western Cape accounted for a substantial 15.2 per cent of the national increase (Quantec Research, 2026). This growth reflects both natural population change and sustained migration. Stats SA estimates that the Western Cape received approximately 500 093 in-migrants between 2021 and 2026, second only to Gauteng, with employment remaining the leading

reason for internal migration nationally (Stats SA, 2026a; Stats SA, 2026b).

Population growth is projected to slow only marginally over the following decade. Between 2027 and 2036, South Africa is expected to add approximately 7.342 million people, around 223 936, or 3.0 per cent, fewer than during the preceding period. Gauteng is projected to record the largest increase, at 2.749 million, followed by the rest of South Africa at 2.277 million and KwaZulu-Natal at 1.194 million. The Western Cape is projected to accommodate a further 1.123 million residents, only 29 933 fewer than between 2017 and 2026, and will continue to account for approximately 15.3 per cent of national population growth (Quantec Research, 2026). Although declining fertility is expected to moderate growth, sustained migration and continued urbanisation will maintain pressure on housing, transport, water, sanitation, education and healthcare. Coordinated infrastructure investment, spatial planning and improved municipal service delivery performance will therefore remain essential to accommodate growth while limiting urban sprawl, congestion and the deepening of spatial inequality (World Bank, 2025).

Figure 4.4 illustrates substantial provincial variation in net migration between 2021 and 2026. Gauteng records the largest net migration gain, at approximately 794 991 people, followed by the Western Cape at 319 053. The North West and Mpumalanga also register positive balances of 109 142 and 81 493 respectively, while KwaZulu-Natal gains 32 538 people and the Northern Cape 7 888. These patterns reinforce the continued concentration of population growth in major urban and economic centres. Stats SA identifies Gauteng and the Western Cape as the leading destinations for both internal and international migrants, while the search for paid employment remains the most frequently reported reason for internal migration (Stats SA, 2026a; Stats SA, 2026b).

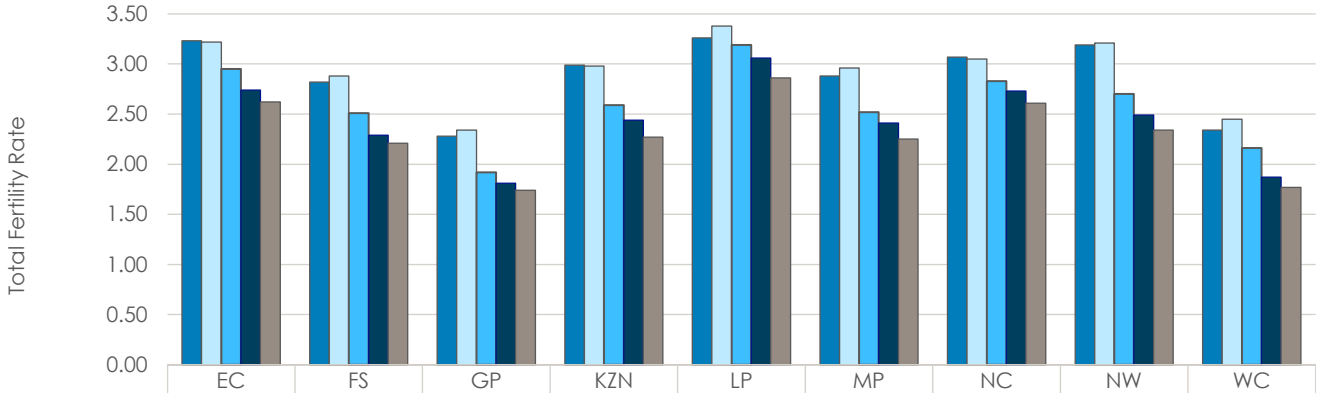
Figure 4.4 Estimated Net Migration by Province, 2021 - 2026



Source: Stats SA, Mid-year Population Estimates, 2026

Conversely, the Eastern Cape records the largest net migration loss, at approximately 295 374 people, followed by Limpopo at 152 540 and the Free State at 13 383 (Stats SA, 2026a). These flows reflect the continued redistribution of the population towards provinces offering greater concentrations of employment, education and economic opportunities. Persistent out-migration may weaken the working-age and skills bases of sending provinces, while increasing demand for housing, infrastructure and public services in receiving provinces. Migration therefore has important implications for the equitable allocation of public resources and the spatial targeting of investment.

Figure 4.5 Total Fertility Rate by Province, 2001 – 2026



	EC	FS	GP	KZN	LP	MP	NC	NW	WC
2001 - 2006	3.23	2.82	2.28	2.99	3.26	2.88	3.07	3.19	2.34
2006 - 2011	3.22	2.88	2.34	2.98	3.38	2.96	3.05	3.21	2.45
2011 - 2016	2.95	2.51	1.92	2.59	3.19	2.52	2.83	2.70	2.16
2016 - 2021	2.74	2.29	1.81	2.44	3.06	2.41	2.73	2.49	1.87
2021 - 2026	2.62	2.21	1.74	2.27	2.86	2.25	2.61	2.34	1.77

Source: Stats SA, Mid-year Population Estimates, 2026

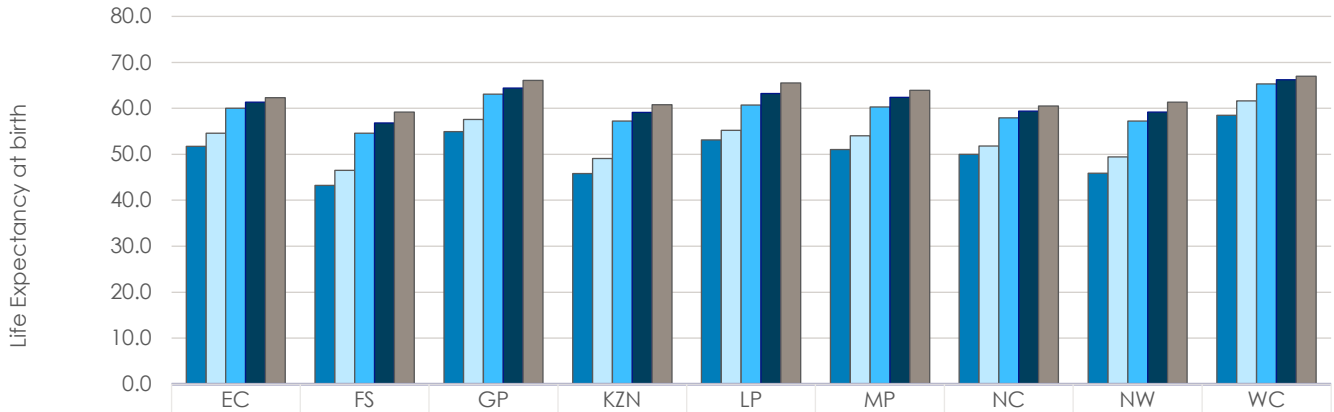
Figure 4.5 shows that total fertility rates (TFRs) declined across all nine provinces over the three most recent periods, from 2011 - 2016 to 2021 - 2026, confirming the continuation of South Africa's fertility transition. In the Western Cape, the TFR declined from 2.16 children per woman in 2011 - 2016 to 1.87 in 2016 - 2021 and further to 1.77 in 2021 - 2026. Gauteng followed a similar trajectory, declining from 1.92 to 1.81 and then to 1.74 children per

woman. These remain the only provinces with fertility rates below the conventional replacement-level benchmark of approximately 2.1 children per woman in 2021 - 2026. At the upper end of the provincial distribution, Limpopo continued to record the highest TFR, although its rate declined from 3.19 in 2011 - 2016 to 3.06 in 2016 - 2021 and 2.86 in 2021 - 2026. Over the latest period, the largest reductions occurred in Limpopo (0.20 child per woman), KwaZulu-Natal (0.17) and Mpumalanga (0.16) (Stats SA, 2026a).

The comparatively low fertility rates in the Western Cape and Gauteng are consistent with the more advanced stage of demographic transition in highly urbanised provinces. Evidence from sub-Saharan Africa identifies women's educational attainment and access to effective family-planning services as important determinants of declining fertility. Higher educational attainment is associated with greater reproductive autonomy, improved knowledge of contraception, delayed family formation and a higher opportunity cost of childbearing. Family-planning programmes also enable households to avoid unintended births and achieve their preferred family size (Bongaarts, 2020; Adhikari, Lutz & Kebede, 2024).

Below-replacement fertility does not, however, imply an immediate decline in the Western Cape's population. Population momentum and continued net in-migration can sustain overall population growth despite a relatively low natural increase. In the short to medium-term, smaller birth cohorts may reduce youth-dependency pressures and moderate growth in demand for maternity, early-childhood and basic education services. Over the longer term, persistently low fertility, combined with improving longevity, will gradually increase the proportion of older residents and intensify demand for healthcare, long-term care and age-responsive infrastructure. Provincial planning must therefore accommodate the simultaneous effects of continued migration-driven population growth and a progressively ageing population (Stats SA, 2026a; UN DESA, 2024).

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

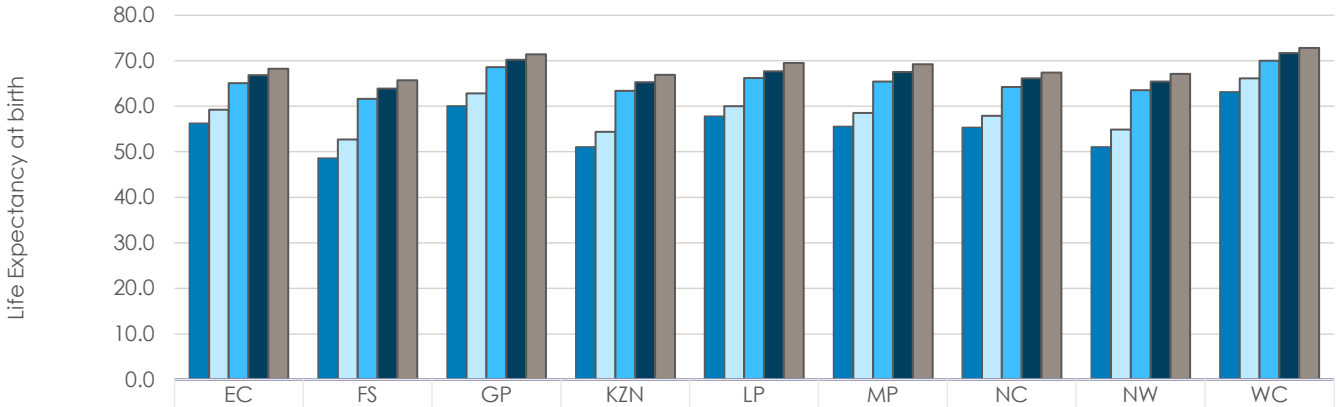


	EC	FS	GP	KZN	LP	MP	NC	NW	WC
2001 - 2006	51.7	43.2	54.9	45.8	53.1	51.0	50.0	45.9	58.5
2006 - 2011	54.6	46.5	57.6	49.1	55.2	54.0	51.8	49.4	61.6
2011 - 2016	60.0	54.6	63.1	57.2	60.7	60.3	57.9	57.2	65.3
2016 - 2021	61.3	56.8	64.4	59.1	63.2	62.4	59.4	59.2	66.2
2021 - 2026	62.3	59.2	66.1	60.8	65.5	63.9	60.5	61.3	67.0

Source: Stats SA, Mid-year Population Estimates, 2026



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



	EC	FS	GP	KZN	LP	MP	NC	NW	WC
2001 - 2006	56.3	48.6	60.1	51.1	57.8	55.6	55.4	51.1	63.2
2006 - 2011	59.2	52.7	62.8	54.4	60.0	58.5	57.9	54.9	66.1
2011 - 2016	65.1	61.6	68.6	63.4	66.2	65.4	64.2	63.5	70.0
2016 - 2021	66.8	63.9	70.2	65.3	67.7	67.5	66.1	65.4	71.7
2021 - 2026	68.2	65.7	71.4	66.9	69.5	69.2	67.4	67.1	72.8

Source: Stats SA, Mid-year Population Estimates, 2026

Figures 4.6 and 4.7 show substantial long-term improvements in provincial life expectancy at birth for both males and females. In the Western Cape, male life expectancy increased from 58.5 years in 2001 - 2006 to 67.0 years in 2021 - 2026, while female life expectancy rose from 63.2 to 72.8 years. Between the two most recent periods alone, male and female life expectancy in the Province increased by 0.8 and 1.1 years respectively. The largest long-term improvements generally occurred in provinces that initially recorded lower life expectancy, particularly the Free State, KwaZulu-Natal and North West, indicating some convergence in provincial mortality outcomes. Nevertheless, substantial provincial disparities remain (Stats SA, 2026a).

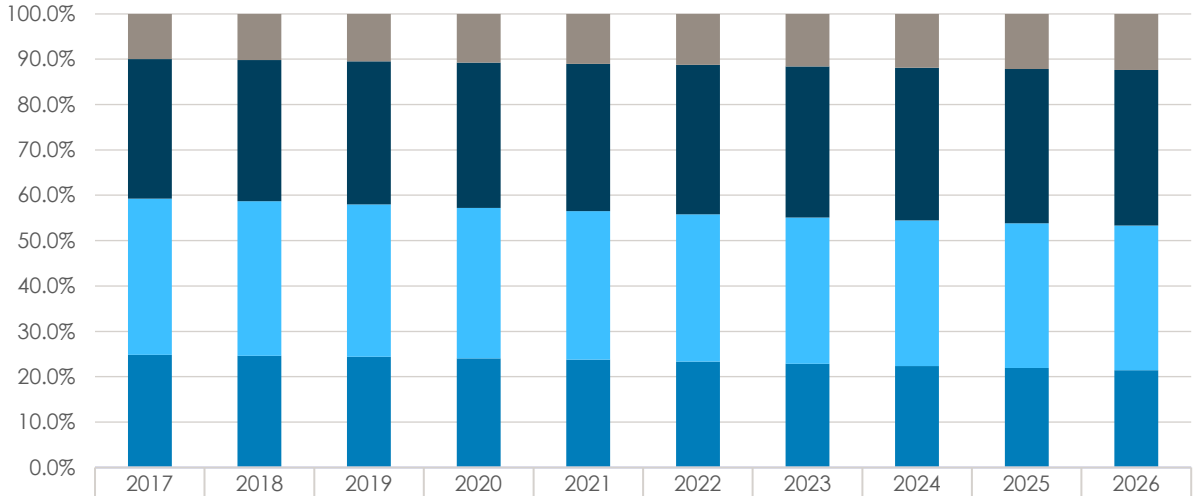
During 2021 – 2026, the Western Cape recorded the highest life expectancy for both females (72.8 years) and males (67.0 years), followed by Gauteng at 71.4 and 66.1 years respectively. By comparison, the Free State continued to record the lowest life expectancy for females (65.7 years) and males (59.2 years). Females outlived males in every province, with the gender gap ranging from 4.0 years in Limpopo to 6.9 years in the Northern Cape. In the Western Cape, the gap was approximately 5.8 years (Stats SA, 2026a).

The long-term improvement in life expectancy has been supported by the expansion of antiretroviral treatment (ART), reductions in HIV/AIDS-related mortality and improvements in child and adult survival. However, the trend has not been uninterrupted. National life expectancy increased from 53.7 years in 2005 to 65.3 years in 2019, before falling to 61.6 years in 2021 because of the COVID-19 mortality shock. It subsequently recovered to 66.4 years in 2024. The five-year provincial averages in Figures 4.6 and 4.7 should therefore be interpreted as reflecting the longer-term improvement in mortality rather than a continuous annual increase (SAMRC, 2026).

Men's persistently lower life expectancy reflects higher premature mortality from non-communicable diseases and unnatural causes, including interpersonal violence, road-traffic injuries and other external causes. Gaps in access to and use of healthcare also remain important. Although national ART coverage increased substantially, coverage among males living with HIV remained lower than among females in 2022, 76.2 per cent compared with 83.2 per cent (Zuma *et al.*,2024). For the Western Cape, continued gains in longevity are a positive health outcome but will accelerate population ageing and increase demand for chronic-disease management and services for older persons. These pressures reinforce the need for preventative healthcare, targeted male health interventions, improved HIV treatment retention, violence and injury prevention, and age-responsive health and social-care planning.



Figure 4.8 Western Cape Share of Age Groups to Total Population, 2017 - 2026



	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Elderly (60+)	10.0%	10.2%	10.5%	10.8%	11.0%	11.3%	11.6%	11.9%	12.2%	12.4%
Adult (20 - 59)	30.8%	31.1%	31.5%	32.0%	32.5%	32.9%	33.3%	33.7%	34.0%	34.3%
Youth (15 - 19)	34.5%	34.0%	33.6%	33.1%	32.7%	32.5%	32.3%	32.1%	31.9%	31.8%
Children (0 - 14)	24.8%	24.6%	24.4%	24.1%	23.8%	23.3%	22.8%	22.3%	21.9%	21.5%

Source: Stats SA, Mid-year Population Estimates, 2026

Figure 4.8 shows a steady shift in the Western Cape's age structure between 2017 and 2026. The share of children aged 0 – 14 declined from 24.8 per cent to 21.5 per cent, a decrease of 3.3 percentage points. Over the same period, the share of residents aged 60 and older rose from 10.0 per cent to 12.4 per cent. The Province consequently went from about 40 older persons for every 100 children in 2017 to 58 in 2026. This pattern is consistent with declining fertility, improving longevity and the movement of population cohorts into older age groups (Stats SA, 2026a).

The combined share of residents aged 15 – 59 rose by 0.8 percentage points, from 65.3 per cent in 2017 to 66.1 per cent in 2026. Within this age range, the younger group's share of the total population fell from 34.5 per cent to 31.8 per cent, while the older group's share rose from 30.8 per cent to 34.3 per cent. This indicates a shift towards older ages within the 15 – 59 population. Stats SA's labour-market definition of the working-age population covers ages 15 – 64. The potential to realise a demographic dividend depends on expanding access to productive employment and improving education, skills, health and labour productivity (UN DESA, 2024).

As the population ages, demand is likely to grow for chronic disease management, rehabilitation, long-term and community-based care, social support, and age-friendly housing and transport. The decline in the provincial share of children can coexist with rising numbers of school-age children in municipalities experiencing in-migration or rapid population growth. Planning for schools and other child-related services should therefore take account of local population trends.

Longer, healthier lives can also support continued labour-force participation, lifelong learning and growth in services such as home-based care and health technology. Preventive healthcare, accessible infrastructure and closer coordination between health and social services can help older residents remain active and independent. Planning should account for the different care and income security needs of older women and men, particularly given women's longer life expectancy (UN DESA, 2026).

Lives, Choices and Futures: What shapes young people's demographic choices?

The United Nations Population Fund (UNFPA) Demographic Futures Survey 2026 highlights an important dimension of demographic change: young people's decisions about relationships and parenthood are shaped not only by personal preferences but also by the economic and social conditions in which those choices are made (UNFPA, 2026).

Across the 73 countries surveyed, economic security and good health are among young people's most important life goals, while economic insecurity and inequality rank among their greatest concerns. Despite these pressures, around two-thirds of respondents remain positive about their future.

Family aspirations also remain strong. More than two-thirds of respondents identify marriage as part of their preferred relationship arrangement, yet financial security and housing constraints feature prominently in decisions about forming partnerships. For parenthood, financial security (88 per cent), stable employment (87 per cent) and emotional readiness (85 per cent) are the highest-rated preconditions, while economic and housing constraints are the most frequently cited barriers to having children (UNFPA, 2026).

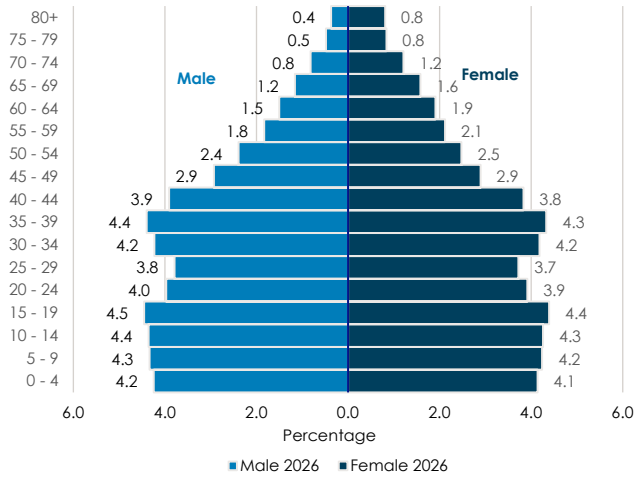
The findings therefore suggest that declining or delayed fertility should not necessarily be interpreted as young people placing less value on family life. Rather, employment security, affordable housing, economic opportunity and supportive family policies can influence whether young adults are able to realise their preferred life and family choices.

Source: *United Nations Population Fund (UNFPA), 2026, Lives, Choices and Futures: Findings from the Demographic Futures Survey 2026.*

Note: The survey reflects the experiences of Internet-connected adults aged 18 - 39 and is not statistically representative of national populations. Its findings should therefore be interpreted as comparative insights rather than population-level estimates.



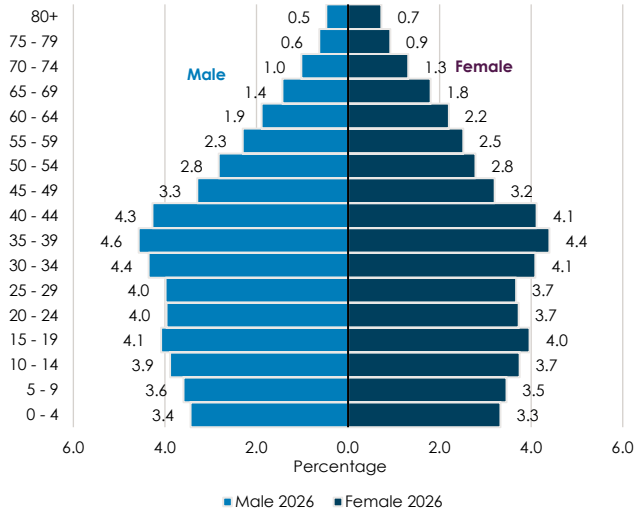
Figure 4.9 National Age Pyramid, 2026 Population Estimate



Source: Stats SA, Mid-year Population Estimates, 2026

Population pyramids provide a concise representation of the age and sex composition of a population and help identify the cohorts moving through the education system, labour market and health and social support systems.

Figure 4.10 Western Cape Age Pyramid, 2026 Population Estimate



Source: Stats SA, Mid-year Population Estimates, 2026

Figures 4.9 and 4.10 illustrate that South Africa and the Western Cape are at different stages of the demographic transition. South Africa retains a relatively youthful population structure, while the Western Cape has a narrower base, a larger working-age share and a more pronounced concentration in the middle and older age cohorts.

South Africa's pyramid remains relatively broad across the younger age groups. Children aged 0 - 14 account for 25.6 per cent of the population, while people aged 15 - 34 constitute 32.7 per cent. People aged 15 - 34 also account for 48.6 per cent of the population aged 15 - 64, the age range defined by Stats SA as the working age population for labour market reporting (Stats SA, 2026a; Stats SA, 2026b). However, the base is beginning to contract: the 0 - 4 cohort comprises approximately 5.33 million people, compared with 5.47 million aged 10 - 14. This is consistent with the decline in South Africa's total fertility rate from 2.78 children per woman in 2008 to 2.12 in 2026. The national pyramid should therefore be characterised as youthful but transitioning, rather than as a conventional rapidly expanding pyramid (Stats SA, 2026a).

The large youth and working age cohorts create the potential for a demographic dividend, whereby a growing labour force can support higher production, savings and income per person. However, this dividend is not automatic: it depends on education and skills, good health, productive investment and sufficient employment creation (World Bank, 2015). South Africa's labour market outcomes indicate that much of this potential remains unrealised. In the second quarter of 2026, the unemployment rate among people aged 15 - 34 was 47.4 per cent, while 36.4 per cent of those aged 15 - 24 were not in employment, education or training (Stats SA, 2026b). The OECD similarly identifies weak job creation, skills mismatches and spatial barriers to accessing employment as major sources of labour market exclusion (OECD, 2025). Consequently, South Africa's favourable demographic structure will translate into stronger economic growth only if younger cohorts are absorbed into productive employment.

The Western Cape has a more mature and increasingly constrictive population structure. Children aged 0 - 14 account for 21.5 per cent of the provincial population, 4.1 percentage points below the national share. The 0 – 4 cohort is also approximately 11.2 per cent smaller than the 10 - 14 cohort, providing stronger evidence of recent base narrowing than is visible nationally. This pattern is consistent with the Western Cape's average total fertility rate of 1.77 children per woman during 2021 - 2026, below both the national rate and the approximate replacement level. At the same time, people aged 15 - 64 account for 70.2 per cent of the provincial population, compared with 67.2 per cent nationally. Using this age range as the working-age population produces a demographic dependency ratio of approximately 42 dependants per 100 working-age residents in the Western Cape, compared with 49 nationally (Stats SA, 2026a).

The Western Cape pyramid has its greatest concentration among people aged 30 - 44, who comprise approximately 25.8 per cent of the provincial population. This prime working-age bulge reflects both the progression of earlier birth cohorts and the influence of migration. Stats SA estimates that the Western Cape received approximately 500 093 in-migrants between 2021 and 2026, resulting in net migration of about 319 053 people. This gross in-migration estimate should be distinguished from the Province's estimated net migration gain of 319 053 people over the same period. Since migrants are commonly concentrated in economically active ages, migration is likely to reinforce

the province's working-age population and expand its labour and consumer markets. However, it simultaneously increases demand for housing, public transport, health services, schools, water and sanitation, particularly in rapidly growing urban areas (Stats SA, 2026a).

Population ageing is more advanced in the Western Cape. People aged 60 and above constitute 12.4 per cent of the provincial population, compared with 10.7 per cent nationally, while the respective shares aged 65 and above are 8.3 per cent and 7.3 per cent. The Province also has the country's highest average life expectancy, 67.0 years for males and 72.8 years for females during 2021 - 2026. Women increasingly outnumber men at older ages: females comprise approximately 57.4 per cent of the Western Cape population aged 65 and above and 61.1 per cent nationally. This largely reflects women's longer life expectancy and indicates that ageing-related health and social-support interventions should incorporate a gender dimension (Stats SA, 2026a).

The Western Cape therefore faces a dual demographic planning challenge. Its comparatively large working-age population offers economic and revenue potential, but this depends on employment growth, productivity and the successful integration of migrants. Simultaneously, the growing older population will increase demand for chronic-disease management, accessible primary healthcare, long-term care and age-friendly transport and settlement design. International evidence emphasises that early adaptation to ageing can contain future social, health and fiscal costs while allowing older people to remain economically and socially active (United Nations DESA, 2023; WHO, 2025).

A lower child share should not, however, be interpreted as declining demand for children's services. The Western Cape still has approximately 1.66 million children aged 0 - 14, and continued population growth and in-migration may sustain or increase absolute demand even while children's proportion of the population declines.

4.2 Poverty, Inequality, and Human Development

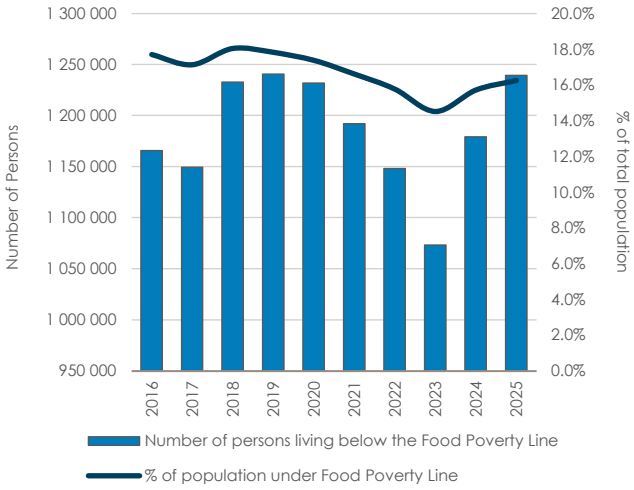
Persistent poverty, high inequality and uneven human development remain significant constraints on inclusive economic growth and social progress in South Africa. The country remains among the most unequal societies globally, reflecting persistent disparities in access to employment, quality education, healthcare, productive assets and well-located housing and transport (World Bank, 2022; World Bank, 2025).

Money-metric poverty assesses whether an individual's income or consumption falls below a defined threshold required to meet basic needs. South Africa's poverty-line framework distinguishes between three levels of deprivation. The Food Poverty Line (FPL) represents the minimum amount required to meet basic daily energy requirements. The Lower-Bound Poverty Line (LBPL) includes a limited allowance for essential non-food expenditure, although households at this level may have to sacrifice some food consumption to meet other basic needs. The Upper-Bound Poverty Line (UBPL) provides for minimum food requirements together with essential non-food needs, including clothing, shelter, healthcare and transport (Stats SA, 2026).

The figures below draw on Quantec Research's regional income-poverty estimates. The underlying income thresholds for all three poverty lines increased by approximately 58.0 per cent in nominal terms between 2016 and 2025. This reflects the rising monetary cost of meeting minimum food and essential non-food needs and provides important context for interpreting the poverty trends. An increase in the threshold does not, by itself, indicate a deterioration in poverty; poverty outcomes are assessed by examining changes in the number and proportion of people whose income remains below the applicable threshold (Quantec Research, 2026; Stats SA, 2026). These modelled regional estimates should be interpreted as indicative trends and not as substitutes for official household survey poverty estimates.

Food Poverty

Figure 4.11 Number and share of people below the Food Poverty Line in the Western Cape, 2016 - 2025



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

Figure 4.11 shows that the number of people living below the Food Poverty Line in the Western Cape fluctuated between 2016 and 2025 but increased overall from approximately 1.166 million to 1.239 million. After declining slightly in 2017, the food-poverty headcount rose to approximately 1.240 million in 2019. It subsequently declined for four consecutive years, reaching a low of approximately 1.073 million in 2023. This improvement was reversed in 2024 and 2025, when the number increased to 1.179 million and 1.239 million respectively. The increase of approximately 166 100 people, or 15.5 per cent, between

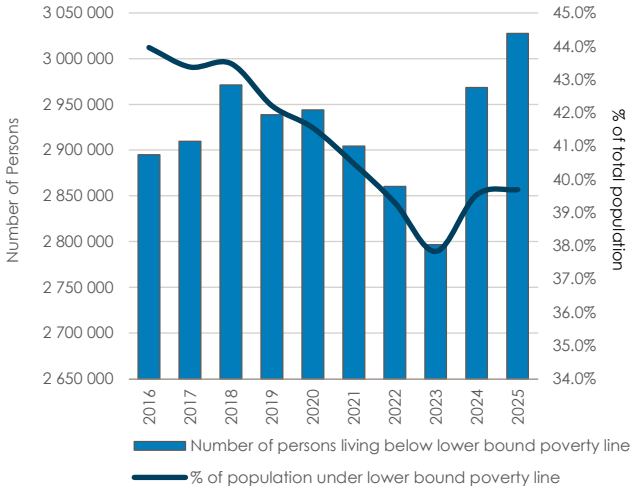
2023 and 2025 returned the food-poverty headcount to almost its 2019 peak (Quantec Research, 2026).

As a proportion of the provincial population, food poverty reached a high of 18.0 per cent in 2018 before generally declining to 14.5 per cent in 2023. The rate subsequently increased to 15.7 per cent in 2024 and 16.2 per cent in 2025. Although the 2025 rate remained 1.5 percentage points below its 2016 level, the absolute number of food-poor residents was approximately 73 600 higher. While this divergence partly reflects provincial population growth, the simultaneous increase in both the headcount and poverty rate after 2023 indicates renewed pressure on the Province's most economically vulnerable households.

People living below the FPL have insufficient resources to meet minimum nutritional requirements. The recent reversal therefore reinforces the importance of targeted food-security interventions, effective social protection and employment-rich economic growth, particularly as increasing living costs place additional pressure on low-income households (Stats SA, 2025; World Bank, 2025).

Lower-Bound Poverty Line

Figure 4.12 Number & Portion of Persons Below the Lower Bound Poverty Line in the Western Cape, 2016 - 2025



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

Figure 4.12 shows that the number of people living below the Lower-Bound Poverty Line increased from approximately 2.895 million in 2016 to 2.971 million in 2018. Thereafter, the headcount generally declined, apart from a marginal increase in 2020, reaching a low of approximately 2.796million in 2023. This improvement was reversed in 2024, when the number increased by approximately 171 800 to 2.968 million, before rising further to a new high of 3.028 million in 2025. Overall, approximately 231 100 more people were living below the LBPL in 2025 than in 2023, representing an increase of 8.3 per cent (Quantec Research, 2026).

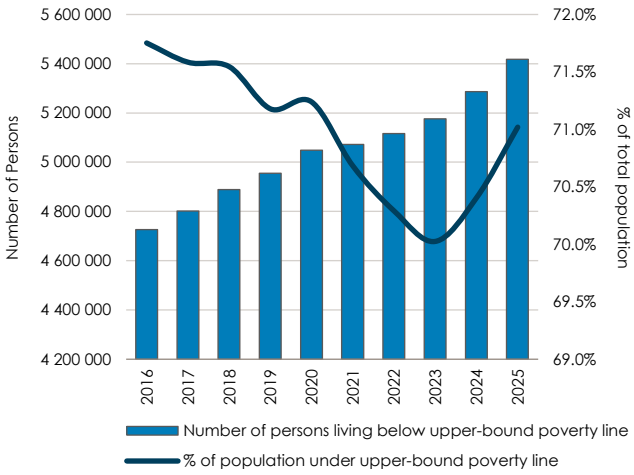
As a proportion of the provincial population, the LBPL poverty rate declined from 44.0 per cent in 2016 to 37.8 per cent in 2023, a reduction of 6.2 percentage points. It subsequently increased to 39.5 per cent in 2024 and 39.7 per cent in 2025. Although the 2025 rate remained 4.3 percentage points below its 2016 level, the absolute number of people living below the LBPL was approximately 132 500 higher.

Provincial population growth partly explains the longer-term divergence between the poverty rate and headcount. However, the concurrent increase in both measures after 2023 suggests that household incomes have not kept pace with the rising cost of meeting basic food and essential non-food needs. Since households below the LBPL may have to sacrifice some nutritional requirements to afford essential non-food items, the recent reversal highlights the continued importance of employment creation, effective social protection and affordable access to basic services (Stats SA, 2025; World Bank, 2025).

Upper-Bound Poverty Line

Figure 4.13 shows that the number of people living below the Upper-Bound Poverty Line increased steadily from approximately 4.726 million in 2016 to a new high of 5.417 million in 2025. Unlike the FPL and LBPL trends, the absolute number increased in every year of the period. Between 2023 and 2025, the headcount rose by approximately 241 800, or 4.7 per cent. Over the full period, approximately 691 600 more people were living below the UBPL in 2025 than in 2016, representing an increase of 14.6 per cent (Quantec Research, 2026).

Figure 4.13 Number & Portion of Persons Below the Upper Bound Poverty Line in the Western Cape, 2016 - 2025



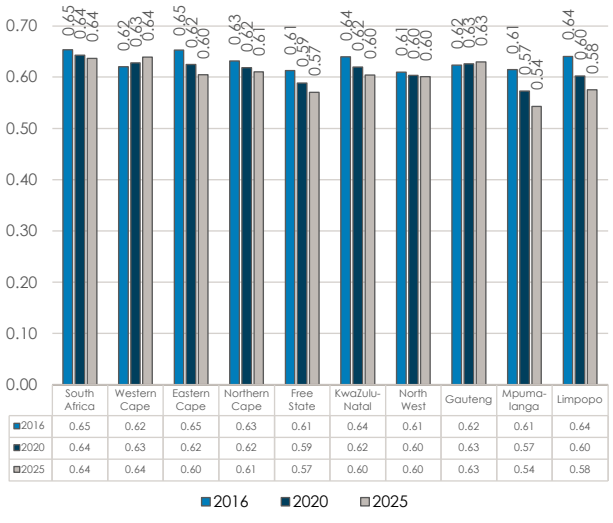
As a proportion of the provincial population, the UBPL poverty rate declined gradually from 71.8 per cent in 2016 to 70.0 per cent in 2023. This improvement was subsequently reversed, with the rate increasing to 70.4 per cent in 2024 and 71.0 per cent in 2025. Although the 2025 rate remained 0.8 percentage points below its 2016 level,

approximately seven out of every ten Western Cape residents were estimated to be living below the UBPL.

The increase in both the poverty headcount and rate after 2023 points to a broadening of economic vulnerability. Households below this threshold have insufficient resources to meet minimum food requirements together with essential non-food needs. The recent deterioration therefore reinforces the importance of employment-intensive economic growth, effective social protection and improved access to affordable housing, transport and basic services (Stats SA, 2025; World Bank, 2025).

Collectively, the three poverty measures indicate that the Western Cape made progress in reducing poverty rates up to 2023, but that this trend reversed in 2024 and 2025. Although the proportions of the provincial population below all three poverty lines remained below their respective 2016 levels in 2025, the absolute number of affected residents was higher across every measure. While part of the longer-term increase in poverty headcounts reflects provincial population growth, the simultaneous rise in both headcounts and poverty rates after 2023 signals a deterioration in household living standards relative to the applicable income thresholds.

Figure 4.14 Gini Coefficient for South Africa, by Province, 2016 – 2025



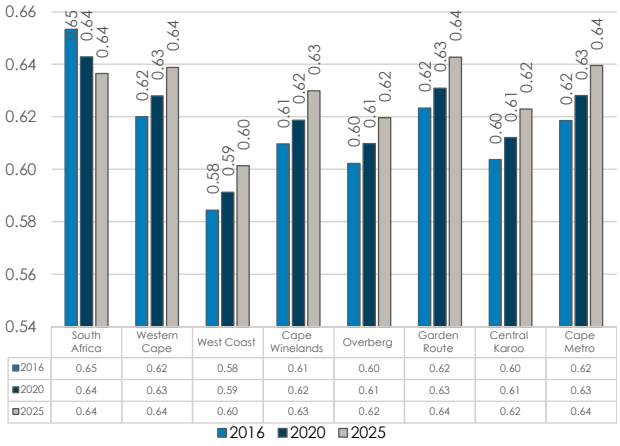
	South Africa	Western Cape	Eastern Cape	Northern Cape	Free State	KwaZulu-Natal	North West	Gauteng	Mpuma-langa	Limpopo
2016	0.65	0.62	0.65	0.63	0.61	0.64	0.61	0.62	0.61	0.64
2020	0.64	0.63	0.62	0.62	0.59	0.62	0.60	0.63	0.57	0.60
2025	0.64	0.64	0.60	0.61	0.57	0.60	0.60	0.63	0.54	0.58

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

Figure 4.14 shows that South Africa's Gini coefficient declined marginally from 0.65 in 2016 to 0.64 in 2020, before remaining unchanged in 2025. The Western Cape followed the opposite trajectory, with its coefficient increasing from 0.62 in 2016 to 0.63 in 2020 and 0.64 in 2025. Consequently, the Province moved from having a Gini coefficient 0.03 points below the national figure in 2016 to equalling it in 2025.

Among the provinces, the Western Cape recorded the highest Gini coefficient in 2025, at 0.64, followed by Gauteng at 0.63. Most other provinces recorded lower or unchanged Gini coefficients, with the largest reductions recorded in Mpumalanga, Limpopo and the Eastern Cape. Despite these improvements elsewhere, South Africa continues to exhibit exceptionally high inequality by international standards (World Bank, 2022; OECD, 2025). However, changes in the Gini coefficient measure shifts in relative income distribution and should be interpreted alongside poverty and income levels, as a lower coefficient does not necessarily indicate that household living standards have improved.

Figure 4.15 Gini Coefficient for South Africa and the Western Cape, by Metro and District, 2016 – 2025



	South Africa	Western Cape	West Coast	Cape Winelands	Overberg	Garden Route	Central Karoo	Cape Metro
2016	0.65	0.62	0.58	0.61	0.60	0.62	0.60	0.62
2020	0.64	0.63	0.59	0.62	0.61	0.63	0.61	0.63
2025	0.64	0.64	0.60	0.63	0.62	0.64	0.62	0.64

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

Figure 4.15 indicates that the increase in inequality was evident throughout the Western Cape. Between 2016 and 2025, the Gini coefficient increased by 0.02 points in every Western Cape district and in the Cape Metro. In 2025, the Cape Metro and Garden Route recorded the highest coefficients, at 0.64, followed by the Cape Winelands at 0.63. The Overberg and Central Karoo each recorded a coefficient of 0.62, while the West Coast remained the least unequal district at 0.60. Although the movements are relatively modest, their consistent direction across all provincial regions suggests that the increase in inequality was broad based rather than confined to the Cape Metro. Moreover, even the lowest district coefficient remains high, indicating that substantial income disparities persist throughout the Province.

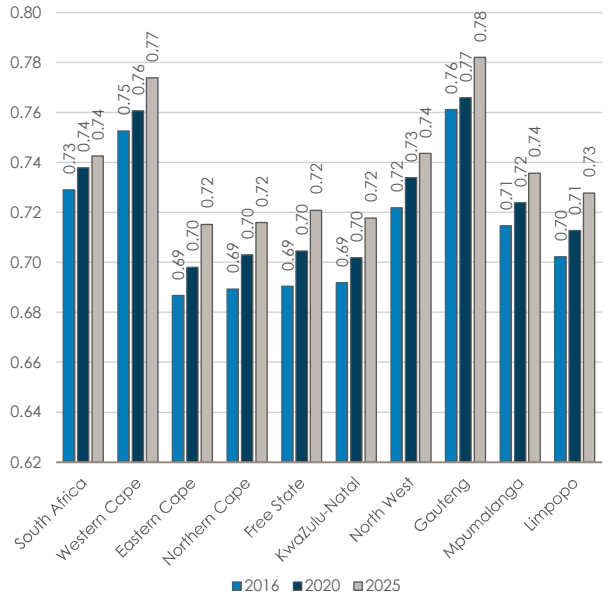
Considered alongside the poverty line analysis, the rising Gini coefficient and the increase in poverty rates after 2023 point to mounting pressure on lower income households and an increasingly unequal distribution of economic resources. Labour market income remains the principal contributor to inequality in South Africa, reflecting unequal access to employment and large differences in earnings, while social grants and remittances play an important redistributive role (Stats SA, 2019).

Addressing the Western Cape's rising inequality therefore requires employment-rich and inclusive growth, improved education and skills outcomes, stronger spatial connections between residential areas and employment

opportunities, and greater support for small and medium-sized enterprises. These interventions should be complemented by effective social protection and equitable access to quality public services, particularly for vulnerable households (OECD, 2025; IMF, 2026).

The Human Development Index (HDI) measures average achievement across three dimensions: a long and healthy life, access to knowledge and a decent standard of living. An HDI value between 0.700 and 0.799 is classified as high human development, while a value of 0.800 or above represents very high human development (UNDP, 2025). The estimates presented in Figures 4.16 and 4.17 are based on standardised regional indicators incorporating life expectancy, expected and mean years of schooling, and gross national income per capita (Quantec Research, 2026).

Figure 4.16 Human Development Index for South Africa, by Province, 2016 – 2025



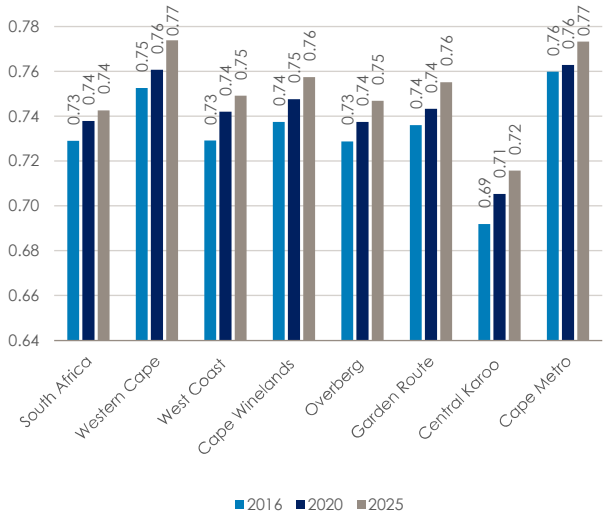
Source: Quantec Research, HDI with LEB, EYS, MYS and GNI per capita

Figure 4.16 shows gradual but uneven improvements in human development across South Africa and its nine provinces between 2016 and 2025. South Africa's HDI increased from 0.73 in 2016 to 0.74 in 2020, before remaining unchanged in 2025, indicating a moderation in national progress. Gauteng recorded the highest HDI in 2025 at 0.78, followed by the Western Cape at 0.77. The Western Cape remained above the national average throughout the period, with its advantage widening from 0.02 points in 2016 to 0.03 points in 2025. North West and Mpumalanga matched the national HDI of 0.74, followed by Limpopo at 0.73. The Eastern Cape, Northern Cape, Free State and KwaZulu-Natal recorded the lowest provincial values, at 0.72.

Nevertheless, all provinces improved between 2016 and 2025, and those recording an HDI of 0.69 in 2016 had moved from medium to high human development by 2020. The gap between the highest- and lowest-performing provinces also narrowed marginally from 0.07 points in 2016 to 0.06 points in 2025. However, no province had reached the threshold for very high human development by 2025.

Figure 4.17 shows that the Western Cape Metro recorded the highest HDI among Western Cape regions, increasing marginally from 0.76 to 0.77 and matching the provincial average in 2025. The Cape Winelands and Garden Route followed at 0.76, while the West Coast and Overberg each recorded an HDI of 0.75. Although the Central Karoo remained the lowest performing district, its HDI increased from 0.69 in 2016 to 0.72 in 2025, the largest improvement among the provincial regions. Consequently, the gap between the Central Karoo and Cape Metro narrowed from 0.07 to 0.05 points. This indicates a degree of spatial convergence, although a material human development disparity persists between the Province's principal urban centre and its most sparsely populated rural district.

Figure 4.17 Human Development Index for South Africa and Western Cape, by District and Metro, 2016 – 2025



Source: Quantec Research, HDI with LEB, EYS, MYS and GNI per capita

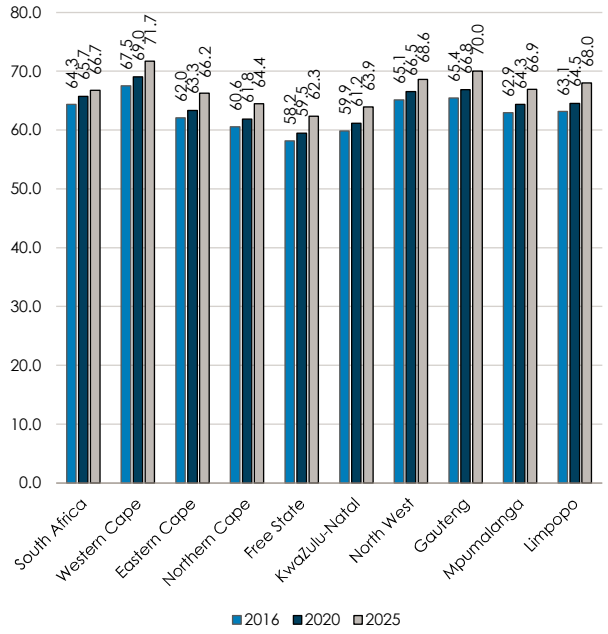
The upward trend indicates that average capabilities and living standards have improved, but the aggregate HDI does not identify which of its health, education or income components drove the improvement. Nor does it show how evenly development gains are distributed within provinces and districts. The simultaneous increase in the Western Cape's HDI and Gini coefficient therefore suggests that improvements in average human development have not necessarily been shared equally across the provincial population.

Sustaining and broadening these gains will require continued investment in primary healthcare, early childhood development, foundational learning and employment relevant skills, together with stronger pathways from education into productive employment. Place-based interventions are particularly important in lower performing rural areas such as the Central Karoo, where limited economic opportunities, distance from

services and infrastructure constraints can restrict improvements in human development. Improving education quality and labour-market participation will be central to converting human-development gains into more inclusive and sustainable improvements in household living standards (UNDP, 2023; World Bank, 2025; OECD, 2025).

Although the aggregate HDI provides an overall measure of human development, it can obscure differences in the performance of its underlying components. The remainder of this section disaggregates the HDI into the Health Index, measured through life expectancy at birth; the Education Index, based on expected and mean years of schooling; and the Income Index, which reflects command over economic resources through gross national income per capita. Since the HDI is calculated as the geometric mean of these three dimensions, sustained progress requires relatively balanced improvements, as weakness in one dimension constrains the overall index. Examining the components across South Africa, the Western Cape and its districts and Metro therefore helps identify whether improvements are being driven primarily by better health, stronger educational outcomes or rising living standards, while highlighting the areas requiring targeted policy intervention (UNDP, 2025; Quantec Research, 2026).

Figure 4.18 Life expectancy at birth for South Africa, by Province, 2016 – 2025

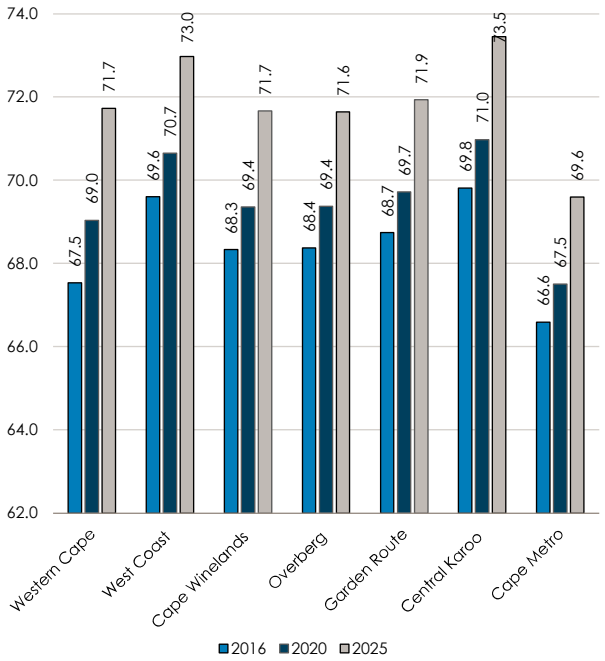


Source: Quantec Research, HDI with LEB, EYS, MYS and GNI per capita

Figure 4.18 shows that life expectancy at birth increased across South Africa and all nine provinces between 2016 and 2025. National life expectancy rose from 64.3 years in 2016 to 66.7 years in 2025, an improvement of 2.4 years. The Western Cape remained the best performing province, with life expectancy increasing by 4.2 years, from 67.5 years to 71.7 years. Its advantage over the national average consequently widened from 3.2 years in 2016 to 5.0 years in 2025. Gauteng recorded the second highest estimated life expectancy at birth in 2025 at 70.0 years, followed by North West at 68.6 years and Limpopo at 68.0 years. In contrast, the Free State recorded the lowest life expectancy at 62.3 years, followed by KwaZulu-Natal at 63.9 years and the Northern Cape at 64.4 years. The 9.4- year difference between the Western Cape and Free State highlights the persistence of substantial provincial disparities in health outcomes.

Figure 4.19 indicates that life expectancy also improved across every Western Cape district and the Cape Metro. The Central Karoo recorded the highest life expectancy in 2025 at 73.5 years, followed by the West Coast at 73.0 years. The Garden Route recorded 71.9 years, while the Cape Winelands and Overberg reached 71.7 and 71.6 years, respectively. Despite recording the Province's highest overall HDI, the Cape Metro had the lowest life expectancy at 69.6 years. The Central Karoo achieved the largest improvement between 2016 and 2025, gaining 3.7 years, while the Cape Metro gained 3.0 years. Consequently, the difference between the highest- and lowest-performing provincial regions widened from 3.2 years in 2016 to 3.9 years in 2025.

Figure 4.19 Life expectancy at birth for Western Cape, by District and Metro, 2016 – 2025



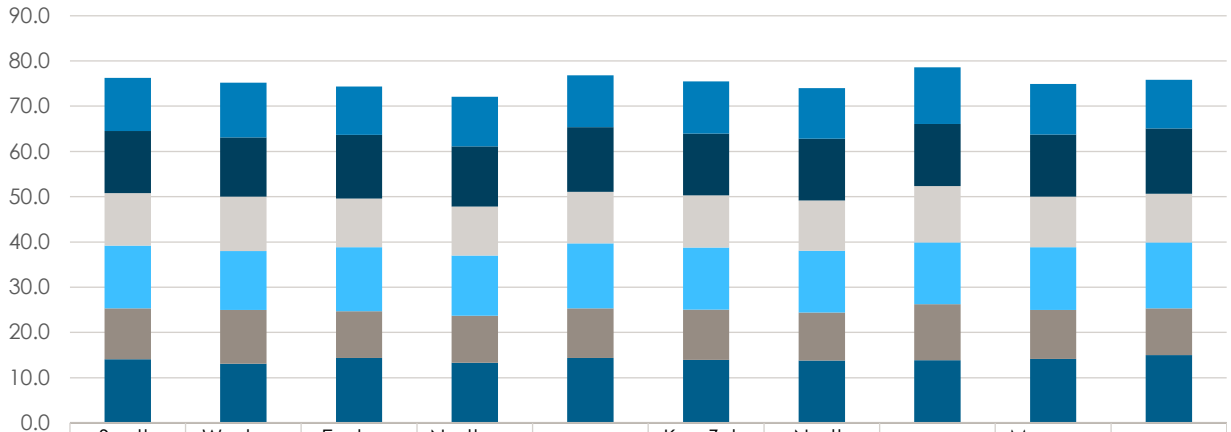
Source: Quantec Research, HDI with LEB, EYS, MYS and GNI per capita

The improvement in life expectancy is consistent with the expansion of HIV prevention and treatment, declining infant and under-five mortality, and the recovery from the COVID-19 mortality shock. Nationally, the crude death rate declined from its pandemic peak of 11.5 deaths per 1 000 people in 2021 to 8.8 in 2025 (Stats SA, 2025). From an HDI perspective, the results suggest that health outcomes are unlikely to be the principal factor constraining Central Karoo's overall HDI, given its comparatively high life expectancy. Conversely, Cape Metro's strong overall HDI

despite its lower life expectancy suggests that its education and income dimensions may be offsetting weaker health outcomes. Further analysis of mortality by age, sex, cause of death and subdistrict is required to identify the factors underlying these spatial differences. This is particularly important because life expectancy is shaped not only by healthcare access but also by income, education, housing, nutrition, working conditions, environmental risks and community safety (WHO, 2025).

Figure 4.20 points to gradual improvements in educational attainment, although outcomes remain uneven across provinces. By 2025, South Africa recorded 11.7 mean years of schooling (MYS) compared with 13.8 expected years of schooling (EYS). The Western Cape performed comparatively strongly, with MYS of 12.1 years, second only to Gauteng at 12.6 years. The gap between EYS and MYS was relatively narrow in the Western Cape at 1.0 year, compared with substantially wider gaps in Limpopo and the Eastern Cape. Higher EYS relative to MYS generally indicates that younger cohorts can expect greater educational participation than that historically attained by the adult population (UNDP, 2025).

Figure 4.20 National Mean and Expected Years of Schooling, by Province, 2016- 2025



	South Africa	Western Cape	Eastern Cape	Northern Cape	Free State	KwaZulu Natal	North West	Gauteng	Mpuma-langa	Limpopo
2025 MYS	11.7	12.1	10.7	10.9	11.5	11.6	11.2	12.6	11.2	10.8
2025 EYS	13.8	13.1	14.1	13.3	14.3	13.7	13.7	13.7	13.8	14.5
2020 MYS	11.6	12.0	10.7	10.8	11.4	11.5	11.1	12.5	11.1	10.7
2020 EYS	13.8	13.0	14.2	13.4	14.4	13.7	13.7	13.6	13.8	14.6
2016 MYS	11.3	11.8	10.3	10.4	10.9	11.1	10.6	12.4	10.8	10.3
2016 EYS	14.0	13.1	14.3	13.3	14.4	13.9	13.8	13.9	14.2	15.0

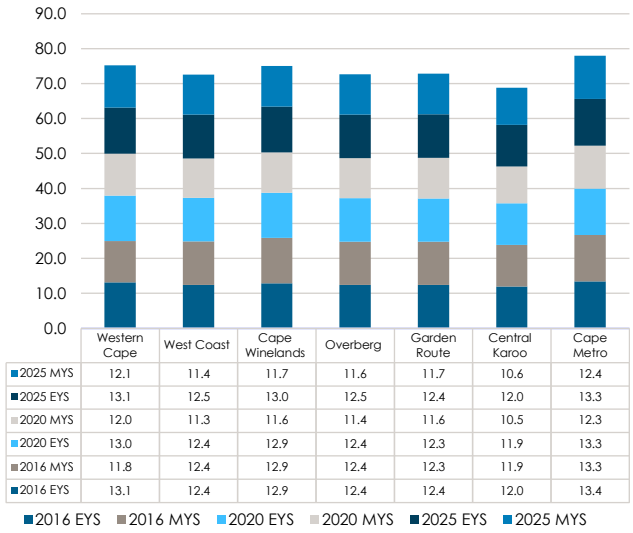
Source: Quantec Research, HDI with LEB, EYS, MYS and GNI per capita



Figure 4.21 shows that within the Western Cape, MYS increased from 11.8 years in 2016 to 12.1 years in 2025, while EYS remained broadly stable at around 13.1 years, narrowing the gap between expected and accumulated schooling. Between 2020 and 2025, most districts recorded modest improvements. In 2025, the Cape Metro recorded the highest MYS (12.4 years) and EYS (13.3 years), while the Central Karoo recorded the lowest outcomes at 10.6 and 12.0 years respectively, highlighting persistent spatial disparities in educational attainment and opportunity.

While rising years of schooling support human-development gains, they do not necessarily imply equivalent improvements in educational quality or learning. South Africa continues to experience substantial inequalities in learning outcomes, reinforcing the need to interpret MYS and EYS alongside measures of educational performance and quality (Spaull & Kotze, 2015; World Bank, 2025).

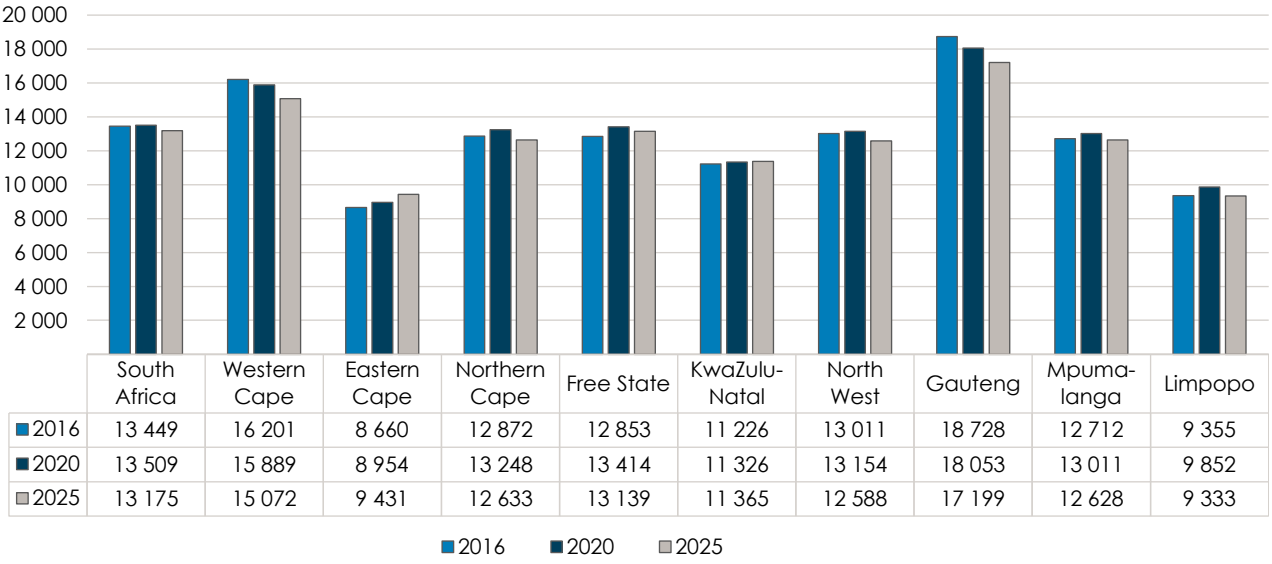
Figure 4.21 Western Cape Mean and Expected Years of Schooling, by District and Metro, 2016, 2020 and 2025



	Western Cape	West Coast	Cape Winelands	Overberg	Garden Route	Central Karoo	Cape Metro
2025 MYS	12.1	11.4	11.7	11.6	11.7	10.6	12.4
2025 EYS	13.1	12.5	13.0	12.5	12.4	12.0	13.3
2020 MYS	12.0	11.3	11.6	11.4	11.6	10.5	12.3
2020 EYS	13.0	12.4	12.9	12.4	12.3	11.9	13.3
2016 MYS	11.8	12.4	12.9	12.4	12.3	11.9	13.3
2016 EYS	13.1	12.4	12.9	12.4	12.4	12.0	13.4

Source: Quantec Research, HDI with LEB, EYS, MYS and GNI per capita

Figure 4.22 Gross National Income per capita, by Province, 2016, 2020 and 2025



	South Africa	Western Cape	Eastern Cape	Northern Cape	Free State	KwaZulu-Natal	North West	Gauteng	Mpuma-langa	Limpopo
2016	13 449	16 201	8 660	12 872	12 853	11 226	13 011	18 728	12 712	9 355
2020	13 509	15 889	8 954	13 248	13 414	11 326	13 154	18 053	13 011	9 852
2025	13 175	15 072	9 431	12 633	13 139	11 365	12 588	17 199	12 628	9 333

Source: Quantec Research, HDI with LEB, EYS, MYS and GNI per capita

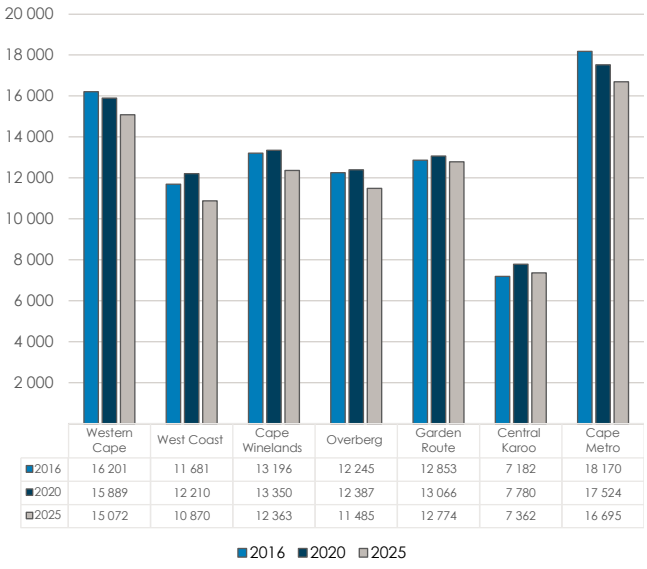
Figure 4.22 shows that the standard-of-living component of human development remains spatially uneven across South Africa. In the HDI framework, GNI per capita represents command over economic resources and is converted into an income index using a logarithmic transformation, recognising that increases in income contribute progressively less to human development at higher income levels (UNDP, 2025). The Quantec regional HDI dataset similarly includes GNI per capita, expressed in 2005 purchasing-power-parity terms, for national, provincial and district level comparisons (Quantec Research, n.d.)

At the national and provincial level, Gauteng consistently records the highest GNI per capita across the three periods shown, followed by the Western Cape. Both provinces benefit from relatively diversified and services-intensive economies, with finance, real estate and business services accounting for a particularly large share of economic activity. This is consistent with official provincial GDP data, which also identifies Gauteng and the Western Cape as the only provinces with GDP per capita above the national average (Stats SA, 2025). By contrast, the Eastern Cape and Limpopo remain among the lowest income provinces, reflecting persistent differences in economic structure, employment opportunities and productive capacity across the country.

Figure 4.22 also suggests some weakening in GNI per capita in the latest period across most provinces, although the magnitude differs. This should be viewed against South Africa's broader weak per capita growth performance. The

OECD notes that economic growth has averaged only around 0.7 per cent annually over the past decade, below population growth, contributing to declining GDP per capita and limiting improvements in living standards (OECD, 2025). The World Bank similarly characterises South Africa as a dual economy in which sluggish growth, high unemployment and inequality constrain improvements in household welfare (World Bank, 2026).

Figure 4.23 Western Cape Gross National Income per capita, by District and Metro, 2016, 2020 and 2025



	Western Cape	West Coast	Cape Winelands	Overberg	Garden Route	Central Karoo	Cape Metro
2016	16 201	11 681	13 196	12 245	12 853	7 182	18 170
2020	15 889	12 210	13 350	12 387	13 066	7 780	17 524
2025	15 072	10 870	12 363	11 485	12 774	7 362	16 695

Within the Western Cape, Figure 4.23 reveals a pronounced spatial divide. The Cape Metro records the highest GNI per capita, substantially exceeding the provincial average, while the Central Karoo records the lowest level. The Cape Winelands and Garden Route occupy an intermediate position, with the West Coast and Overberg also remaining below the provincial average. The strength of Cape Town is consistent with the concentration of economic activity in the Metro, which accounts for more than 70 per cent of Western Cape economic output (Western Cape Provincial Treasury, 2025).

The relatively large gap between Cape Town and the Central Karoo therefore highlights an important intra-provincial disparity in material living standards. Moreover, the 2025 estimate is lower than the 2020 estimate than the preceding period across most Western Cape regions, including Cape Town, suggesting that improvements in the Province's income dimension have been constrained. This reinforces the need to interpret provincial HDI averages alongside district-level outcomes, as comparatively strong provincial performance can conceal substantial spatial differences in economic opportunity and living standards.

Importantly, GNI per capita is an average and does not indicate how income is distributed within a province or district. Higher GNI per capita can therefore coexist with significant poverty and inequality. This is particularly pertinent in South Africa, which continues to record exceptionally high-income inequality (OECD, 2025). The income dimension should consequently be read alongside the subsequent poverty and Gini coefficient analysis to provide a fuller assessment of whether economic resources are translating into broadly shared improvements in human development.

4.3 Conclusion

The Western Cape is undergoing a significant demographic transition. Its population reached approximately 7.72 million in 2026, supported by sustained in-migration, while fertility declined to 1.77 children per woman and longevity continued to improve. These trends are progressively reshaping the Province's age structure: the child and youth shares are declining, the working-age population remains comparatively large, and the proportion of residents aged 60 years and older is increasing. This creates both opportunities and pressures, requiring the Province to simultaneously accommodate continued population growth, support productive employment and prepare for rising demand for age-responsive health and social services (Stats SA, 2026a).

Human development outcomes present a similarly mixed picture. The Western Cape recorded the second-highest provincial HDI in 2025, supported by comparatively strong educational attainment and life expectancy. However, these aggregate gains mask important spatial differences. The Cape Metro benefits from stronger education and income outcomes, while districts such as the Central Karoo continue to face weaker economic and educational outcomes despite comparatively favourable longevity. This reinforces the importance of place-based approaches to human development rather than reliance on provincial averages alone (Quantec Research, 2026).

Most importantly, improvements in average human development have not translated into equally shared gains. Food-poverty, lower-bound-poverty and upper-bound-poverty headcounts and rates increased between 2023 and 2025, while the Western Cape's Gini coefficient increased to 0.64 in 2025, indicating persistent and widening inequality. The Province's demographic advantage will therefore translate into more inclusive and sustainable development only if population growth is accompanied by stronger employment creation, improved education and skills outcomes, affordable and well-located housing, effective social protection and equitable access to quality services. Aligning demographic change with spatial, economic and infrastructure planning will remain central to strengthening resilience and broadening the benefits of development across the Western Cape.

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5

SOCIO-ECONOMIC PROFILE OF THE WESTERN CAPE

The socio-economic profile of the Western Cape provides an important measure of the Province's ability to improve residents' wellbeing, provide long-term social support, and foster inclusive economic development. While economic growth creates opportunities for employment and rising incomes, sustained improvements in living standards depend on the quality and accessibility of public services. Investments in education, healthcare, housing, community safety and social protection strengthen human capital, improve social cohesion and create conditions for inclusive economic participation.

This chapter examines recent trends across these key socio-economic sectors, highlighting both progress achieved and the emerging pressures requiring continued policy attention. Together, these indicators provide insight into the Province's capacity to improve service delivery and strengthen the foundations for inclusive growth and improved wellbeing.



SOCIO-ECONOMIC PROFILE OF THE WESTERN CAPE

More Learners, Mounting Pressure, Albeit Stronger Outcomes

Public Ordinary Schools (2016 - 2025)

Learner enrolment increased. **13.9%**

Number of schools increased. **1.9%**

Learner-Teacher Ratios

28.6 **in 2016**

36.4 **in 2025**

Exceeding the national average of **34.0.**

Early learning enrolment for four-year-olds rose. **67%** in 2021 to **75%** in 2024

Approximately **28 000 children** remain outside the formal system.

Western Cape achieved its **highest-ever** National Senior Certificate (NSC) pass rate. **88.2%** in 2025

Health System Under Pressure

Public-Employed Nurses

196.7 /100 000 (2016/17) ▼ 167.4 /100 000 (2025/26)

Primary Healthcare Facility Visits

13.6 million (2016/17) ▼ 11.4 million (2025/26)

Public-Employed Doctors

41.8 /100 000 (2016/17) ▼ 40.5 /100 000 (2025/26)

Home and Community-Based Care

4.5 million (2016/17) ▲ 6.4 million (2025/26)

Childhood Immunisation Averages Decline

2016/17 2020/21	81.0%
2021/22 2025/26	73.0%

Well below the **95%** level required for herd immunity.

2021/22 - 2025/26 avg. maternal mortality

63 deaths /100 000 live births | Cape Metro is **68** vs West Coast at **22**

2018/19 - 2022/23 avg. neonatal mortality

8.8 deaths /1 000 live births | Central Karoo is **13.6/1 000**

The Soaring Housing Divide

Registered Housing Demand ▲ **23.5 %** (2022 to 2026)

of which **64.8%** in Cape Metro.

Annual Housing Opportunities

20 849 (2016/17) ▼ 6 571 (2025/26)

Housing Subsidies Increased ▲ **76.7 %** (2016/17 - 2025/26)

Dwelling Services: Outperforming the rest of South Africa

Western Cape Services	2005	2025
Electricity supplied from the mains	89.7%	96.0%
Flush toilets connected to a sewerage system	82.3%	91.8%
Access to piped water inside the dwelling	70.1%	82.8%

National Performance Gap

In 2025, the Western Cape significantly outperformed the rest of South Africa, by:

29.4 percentage points	in weekly refuse removal.
30.2 percentage points	in access to flush toilets.
32.5 percentage points	in access to piped water inside the dwelling.

Active Safety and Targeted Care

Statistics for the period 2020 - 2025

The provincial murder rate rose by **19.8%.**

Residential burglaries: decreased by **29.0%.**

Sexual offences: increased by **3.7%.**

Illegal possession of firearms and ammunition: increased by **47.1%.**

Driving under the influence: increased by **93.8%.**

Drug-related crime: increased by **107.8%.**

Likely indication of proactive and expanded law enforcement operations.

Increase from 2021/22 level to 2025/26 level

4.0x **Child protection interventions**

2.6x **Abuse investigations of older persons**

GBV risk is not confined to the Cape Town metro area

Oudtshoorn	**1 279 cases** per 100 000 population
Kannaland	**837 cases** per 100 000 population

5.1 Education and learning

Education is central to long-term economic growth, social mobility and individual wellbeing (World Bank, 2026; OECD, 2023). It equips learners with the knowledge and skills needed to participate in society and the economy, while improving employment prospects and reducing vulnerability. Early Childhood Development is particularly important, as it lays the foundation for school readiness, retention and later learning outcomes.

The Western Cape Education Department continues to pursue quality education for every child, in every classroom and every school. However, rapid population growth, sustained in-migration, rising learner enrolment and fiscal constraints are increasing pressure on schools, infrastructure and teaching capacity. Persistent socio-economic and gender disparities further affect learner readiness and educational outcomes.

The analysis that follows considers trends in learner enrolment, teacher capacity, learner-teacher ratios, attainment and learning outcomes. It assesses progress in expanding access and improving quality, while identifying the continuing pressures that require targeted policy attention and investment.

5.1.1 Early Childhood Development

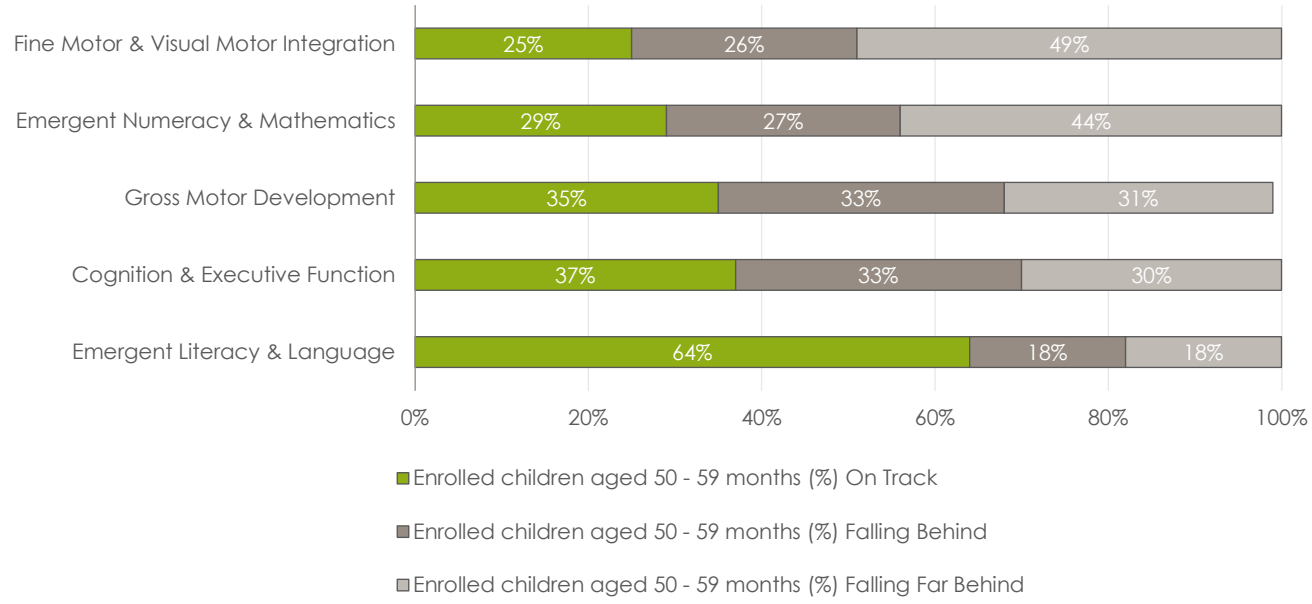
Early Childhood Development (ECD) represents one of the highest-return investments in human capital, laying the cognitive, social, emotional and physical foundations upon which future educational achievement, labour market participation and long-term economic productivity depend (Heckman, 2006). Research consistently demonstrates that quality early learning improves school readiness, strengthens literacy and numeracy development, reduces grade repetition and dropout, and contributes to better employment and lifetime earnings (Heckman, 2006; Engle et al., 2011).

Access to early learning has improved in recent years, with the proportion of four-year-olds enrolled in an Early Learning Programme or Grade R increasing from 67 per cent in 2021 to 75 per cent in 2024. Nevertheless, approximately one-quarter of four-year-old children (approximately 28 000 children in the Western Cape), remain outside formal early learning programmes (Provincial Thrive by Five, 2024).

School readiness (Thrive by Five)

The ultimate measure of success lies in whether children enter formal schooling developmentally ready to learn. School readiness reflects children's cognitive, language, physical, social and emotional development at school entry and provides an important indication of the quality and effectiveness of early learning programmes. The Thrive by Five Index offers valuable insights into these developmental outcomes and the extent to which young children are equipped for successful progression through the education system.

Figure 5.1 Percentage of children on track, falling behind & falling far behind in each developmental domain



Source: Weighted estimates based on Thrive by Five Index 2024 data

Note: Results are based on weighted provincial estimates from a representative sample of 481 four-year-old children attending 145 Early Learning Programmes across 41 randomly selected wards in the Western Cape. Findings relate only to children enrolled in ELPs and exclude children not attending an ELP.

Results from the Provincial 2024 Thrive by Five Index, based on a representative sample of four-year-old children attending Early Learning Programmes (ELPs), indicate that most children in the Western Cape are not yet demonstrating the developmental competencies expected for their age. Children performed particularly poorly in emergent numeracy and mathematics, and fine motor coordination and visual-motor integration, while outcomes in emergent literacy and language were comparatively stronger.

Significant disparities were evident across socio-economic groups, with children attending lower-fee ELPs substantially less likely to be developmentally on track than those attending higher-fee programmes. Boys also consistently demonstrated weaker developmental outcomes than girls, highlighting persistent inequalities in school readiness before entry into formal schooling.

The findings also highlight important quality constraints within the ECD sector. Only one-third of ELPs were assessed as providing good-quality programmes, with teaching strategies identified as the weakest quality dimension despite generally stronger performance across other aspects of programme quality. Although practitioner and principal qualifications compare favourably with the national average, a sizeable proportion of the workforce remains without formal ECD qualifications (16 per cent of principals and 23 per cent of practitioners), while around half of practitioners had received in-service training during the previous two years.

In this context, the Mass Registration Drive for ECD Centres provides an important mechanism to expand the coverage of registered ELPs, particularly those that remain outside the formal system. By accelerating registration, government is better positioned to identify centres operating in the sector, assess their compliance with regulatory requirements and provide targeted support to help them meet the required standards, including through improvements in skills and competencies.

These findings are particularly significant when considered alongside the learner performance trends discussed later in this chapter. While the Western Cape has recorded encouraging improvements in Grade 3 systemic assessment results, learner retention and National Senior Certificate outcomes, evidence from early childhood education research highlights the important role of early learning experiences in shaping subsequent educational and life outcomes (Cunha et al., 2006; Heckman, 2008; Elango et al., 2016).

Going forward, continued progress will depend on expanding equitable access to quality ECD programmes, improving practitioner development, strengthening teaching strategies, expanding programme registration and subsidy coverage, and addressing barriers to participation in disadvantaged communities.

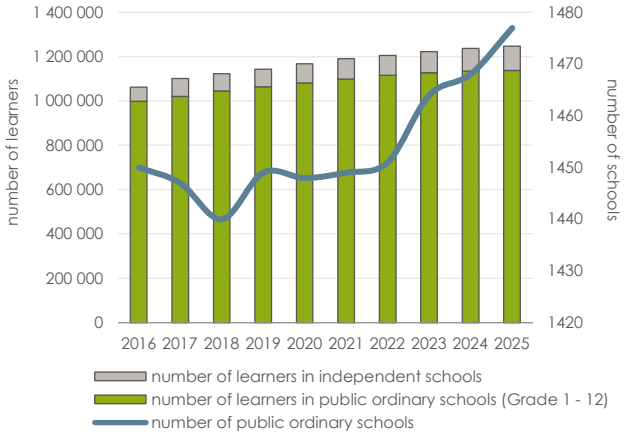
5.1.2 Learner environment

While strong early childhood development lays the foundation for future learning, sustained educational success depends on access to quality schooling. Over the past decade, learner enrolment in public ordinary and independent schools increased by 16.6 per cent, from 1.079 million in 2016 to 1.257 million in 2025, broadly reflecting population growth discussed in Chapter 4. Independent school enrolment grew by 49.7 per cent compared to 13.9 per cent in public schools, which may reflect continued in-migration, demand for alternative education options and growing capacity constraints in rapidly expanding public school catchment areas.

These trends indicate that independent schools are playing an increasingly important complementary role in accommodating learner growth as pressure on the public schooling system intensifies. However, the limited increase in the number of public ordinary schools (1.9 per cent over the past decade) suggests that sustained investment in the education system, including the expansion of capacity, will be essential to meet future demand. Such investment should focus on strengthening the enabling conditions and underlying factors that support quality teaching and learning.

Figure 5.2 presents the comparative growth in learner enrolment across public ordinary and independent schools alongside the relatively modest expansion in the number of public ordinary schools. Figure 5.3 complements this by showing trends in the average learner-to-teacher ratio, reflecting changes in classroom-level capacity over time. Taken together, the figures highlight that learner enrolment growth has outpaced the expansion of both physical infrastructure and teaching resources, resulting in increasing pressure on existing school facilities and rising learner-teacher ratios.

Figure 5.2 Number of schools & learners in the Western Cape, 2016 - 2025



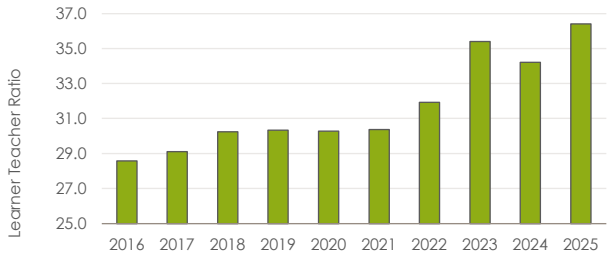
Source: Western Cape Education Department

5.1.3 Learner-teacher ratio

Despite the WCED's efforts to expand supply through the Rapid School Build programme, the learner-teacher ratio (LTR) has continued to deteriorate, rising from 28.6 in 2016 to 36.4 in 2025. Although the LTR remains within the prescribed norms and standards, the upward trend reflects sustained growth in learner demand, driven by population pressures and compounded by affordability factors, alongside lead times required to plan, develop and commission public-sector education infrastructure.

The Rapid School Build Programme has contributed to moderating pressure on the learner-teacher ratio (LTR) and serves as an important mechanism for responding to growing demand. By accelerating the delivery of additional classroom capacity, the programme has enabled the WCED to focus on overcrowding and improve access to schooling, particularly in areas experiencing sustained learner growth.

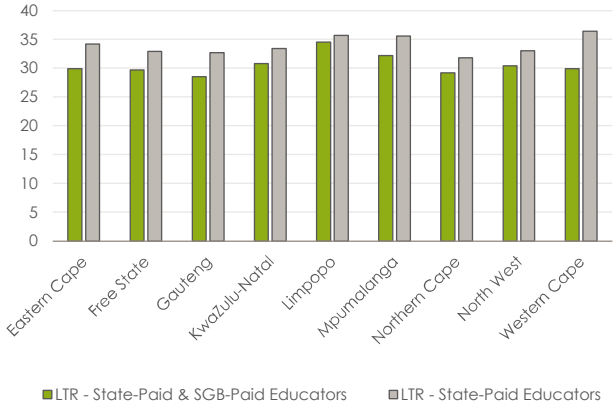
Figure 5.3 Learner-Teacher ratio (public ordinary schools) in the Western Cape, 2016 - 2025



Source: Western Cape Education Department

Provincial comparisons, as presented in Figure 5.4, indicate that the Western Cape's LTR for all educators (including both state-paid and School Governing Body-paid educators) stood at 29.9 in 2025, slightly below the national average of 30.6. This suggests that, overall, class sizes in the Province are broadly comparable to or smaller than those in many other provinces. However, when only state-paid educators are considered, the Western Cape's LTR increases to 36.4, exceeding the national average of 34.0 and ranking among the highest in the country. By comparison, provinces such as the Northern Cape (31.8), Gauteng (32.7) and the Free State (32.9) report significantly lower ratios for state-paid educators.

Figure 5.4 Learner-Teacher ratio (public ordinary schools) by province, 2025



Source: Department of Basic Education

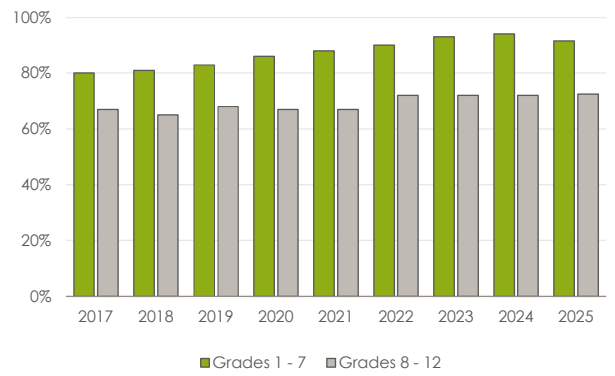
The difference between the Western Cape's overall LTRs and state-paid LTRs reflects the important contribution of School Governing Body (SGB)-funded educators, at selected schools, in supporting teaching capacity and mitigating classroom pressures. It also highlights the impact of sustained enrolment growth, population in-migration and fiscal constraints on the Province's ability to expand its state-funded educator establishment at a pace commensurate with learner growth. These trends underscore the importance of continued investment in teaching capacity, alongside equitable educator allocation and school funding mechanisms, to support manageable class sizes and maintain education quality outcomes.

5.1.4 School retention rate and Learner performance

While access to schooling has expanded significantly over time, improving educational outcomes requires that learners not only enrol in school, but also remain in the system, acquire foundational competencies, and successfully complete secondary education. In this regard, recent trends in the Western Cape indicate progress across several dimensions of educational performance, including learner retention, systemic test outcomes, and matric achievement.

Between 2017 and 2025, the Western Cape recorded steady improvements in school retention rates, reflecting progress in keeping learners engaged throughout their schooling journey. Primary school retention improved from 80.0 per cent in 2017 to 91.0 per cent in 2025, while high school retention increased from 67.0 per cent to 72.0 per cent over the same period.

Figure 5.5 Retention rate in primary & high school in the Western Cape, 2017 - 2025



Source: Western Cape Education Department

These improvements suggest that a greater proportion of learners are remaining in the education system and progressing towards completing the National Senior Certificate. Higher retention rates are particularly important in a context where educational attainment remains closely linked to employment prospects, earning potential, and social mobility, as reflected in Chapter 3.

The positive trend reflects the impact of targeted interventions implemented by the WCED, including the Back on Track (BOT) programme. Introduced in response to the learning disruptions caused by the COVID-19 pandemic, the programme focuses on curriculum recovery, strengthening foundational learning, learner assessments, teacher support, and targeted academic interventions. Research by the Research on Socio-Economic Policy (RESEP) unit at Stellenbosch University highlights the importance of addressing learning deficits to improve learner progression and reduce the risk of grade repetition and eventual dropout (Van Biljon, van Wyk and van der Berg, 2024; Wills and Qvist, 2024). Improvements in learner retention therefore suggest that interventions aimed at addressing learning deficits and strengthening foundational competencies may be contributing to improved learner progression and retention.

While these gains are encouraging, retention alone is not sufficient to ensure improved educational outcomes. Sustained progress requires that learners who remain in the system acquire the literacy, numeracy and cognitive skills necessary to progress successfully through each phase of schooling.

International benchmarking provides additional evidence of the Western Cape's relative educational performance. The 2023 Trends in International Mathematics and Science Study (TIMSS) reported the Western Cape as the highest-performing province in South Africa in both Mathematics and Science at Grade 5 and Grade 9 level. In Grade 9, the Province recorded an average score of 424 in Mathematics and 416 in Science, compared with national scores of 397 and 362 respectively. The 2023 results are consistent with earlier provincial evidence from TIMSS 2019, which also placed the Western Cape among the country's strongest performers. However, the results also indicate that provincial performance remains below international benchmarks, reinforcing the need to sustain efforts to strengthen foundational and senior-phase learning outcomes (Department of Basic Education, 2024).

Recovery in Foundational Learning Outcomes

Systemic testing provides an important measure of learner proficiency in Mathematics and Language and serves as a key tool for identifying learning gaps and informing targeted interventions. The results also provide insight into the extent to which the education system has recovered from the learning losses experienced during the COVID-19 pandemic.

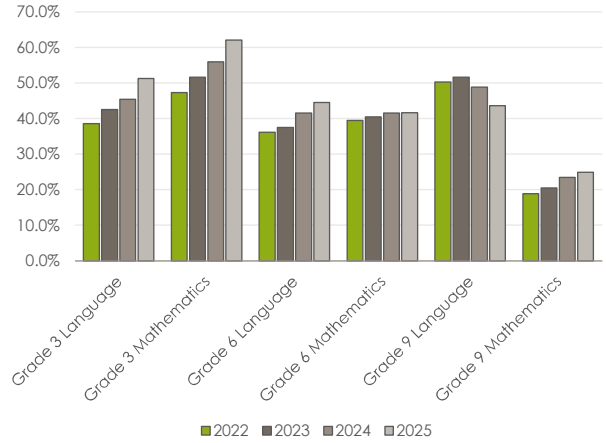
Between 2022 and 2025, systemic test results showed measurable improvements across most grades, particularly in the Foundation and Intermediate Phases. Grade 3 learners recorded their strongest performance on record in both Mathematics and Language. Mathematics pass rates increased by 14.7 percentage points, from 47.3 per cent in 2022 to 62.0 per cent in 2025, exceeding the pre-pandemic level of 58.1 per cent recorded in 2019. Similarly, Grade 3 Language results improved by 12.7 percentage points to 51.2 per cent in 2025, surpassing the 2019 benchmark by 6.3 percentage points.

At the Grade 6 level, learner performance also improved, although at a more moderate pace. Mathematics pass rates increased by 2.2 percentage points to 41.6 per cent, while Language performance improved by 8.4 percentage points to 44.5 per cent between 2022 and 2025. These gains indicate continued recovery and strengthening of foundational competencies among learners in the intermediate phase.

The strongest improvements in the lower grades are particularly significant, as foundational literacy and numeracy skills are widely recognised as key determinants of future educational success. Improvements at these levels may therefore contribute positively to learner progression and retention outcomes in later years.

Despite improvements in the lower grades, systemic test outcomes at the senior phase level present a more mixed picture. Grade 9 Mathematics results improved by 6.1 percentage points to 24.9 per cent in 2025, indicating some progress in addressing longstanding numeracy challenges. However, Grade 9 Language performance declined by 6.6 percentage points to 43.6 per cent over the same period. The Grade 9 results therefore underscore the importance of targeted interventions to address the disproportionate learning losses experienced by this cohort during the COVID-19 pandemic, particularly in language proficiency and reading comprehension, while strengthening the critical thinking, analytical and problem-solving skills required in the transition from the intermediate to senior phases.

Figure 5.6 Systemic test results in the Western Cape, 2022 - 2025



Source: Western Cape Education Department

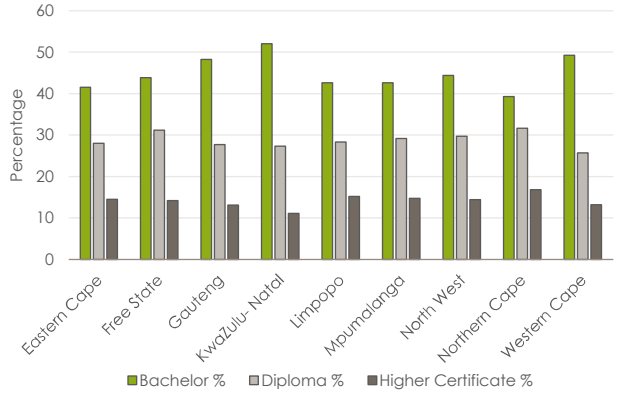
Strong Matric Outcomes and Educational Attainment

The improvements observed in learner retention and foundational learning are reflected in the Province's strong matric performance. In 2025, the Western Cape achieved its highest National Senior Certificate (NSC) pass rate on record, increasing from 86.6 per cent in 2024 to 88.2 per cent. The Province also recorded its highest-ever Bachelor's pass rate of 49.2 per cent, reflecting improvements not only in the quantity of passes achieved but also in the quality of educational outcomes.

Although several provinces, including KwaZulu-Natal, Free State, Gauteng and North West, achieved overall matric pass rates above both the Western Cape and national averages, the Western Cape's comparatively strong Bachelor's pass rate highlight the importance of considering the quality and composition of educational outcomes alongside overall pass rates.

Figure 5.7 disaggregates the 2025 NSC results by qualification type, providing additional insight into the composition of provincial pass outcomes rather than the overall pass rate, categorised into Bachelor's degrees, Diplomas, and Higher Certificates. It shows significant regional variation in the types of passes achieved.

Figure 5.7 National senior certificate results by province (2025)



Source: Western Cape Education Department

The education outcomes presented above indicate that the Western Cape has made notable progress in improving learner retention, recovering foundational learning losses and strengthening matric attainment, reflecting the positive impact of sustained investments in the education system. However, persistent learning deficits, particularly in the senior phase, continue to pose risks to future educational achievement and labour market participation.

Going forward, policy and budget planning should continue to prioritise interventions that strengthen literacy and numeracy, address disparities in educational outcomes across socio-economic and geographic groups, and support learners through critical transition points in the schooling system. In an environment of constrained fiscal resources, directing investment towards evidence-based programmes that improve learning outcomes, reduce dropout risk and enhance educational attainment will be critical to strengthening human capital development and supporting inclusive economic growth in the Western Cape.

5.2 Health and wellness

Access to healthcare services is both a constitutional right and a critical foundation for human development, social wellbeing, and economic participation in South Africa. Section 27 of the Constitution guarantees everyone the right to access healthcare services and places an obligation on the state to progressively realise this right within available resources. This commitment is reflected in the National Development Plan (NDP) 2030, which seeks to improve life expectancy, reduce the burden of disease, strengthen primary healthcare, and advance universal health coverage through health system reform.

At a provincial level, the Western Cape Provincial Strategic Plan (PSP) 2025 - 2030 reinforces this mandate through a resident-centred approach that prioritises equitable access to quality healthcare, preventative and community-oriented primary care, digital innovation, and a resilient health system capable of responding to growing demographic and socio-economic pressures. Within this context, the Western Cape health system continues to play a central role in improving the quality of life and enabling residents to live healthy, meaningful, and dignified lives.

According to Statistics South Africa (Household Expenditure on Health in South Africa: Findings from the Income and Expenditure Survey, 2022/23 report), 23.8 per cent (approximately 1.7 million) of the Western Cape population has access to a medical aid scheme, while 76.2 per cent (approximately 5.5 million) of the population relies on the public health care system. Because the Western Cape is experiencing rapid population growth, and the economic environment remains sluggish, this disparity will continue to grow, placing pressure on demand for health care services to ensure

delivery aligned to the Constitutional right to healthcare services.

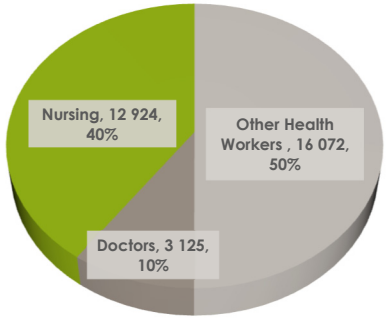
5.2.1 Health Workforce

A skilled and adequately resourced healthcare workforce is fundamental to an effective public health system. However, South Africa continues to face workforce shortages driven by population growth, a high burden of disease, fiscal constraints, and challenges in recruiting and retaining skilled health professionals. These pressures have resulted in staffing shortages, uneven distribution of health workers, and increasing demand on healthcare services.

The Western Cape faces similar challenges, with population growth, in-migration, rising mental health needs, post-pandemic service backlogs, and infrastructure constraints placing additional strain on the provincial health system. Strengthening the healthcare workforce remains critical to improving access to quality healthcare and ensuring the long-term sustainability of the health system.

By the end of the 2025/26 financial year, the Department of Health and Wellness (DH&W) employed a total of 32 121 personnel, equivalent to 416.1 healthcare workers per 100 000 population. The provincial healthcare workforce comprises a broad range of professionals, including doctors, nurses, dentists, pharmacists, paramedics, engineers and technicians, as well as administrative and support staff. As illustrated in Figure 5.8, nurses represent the largest occupational group, accounting for 12 924 personnel (40.2 per cent of the workforce), followed by doctors with 3 125 personnel (9.7 per cent). Collectively, doctors and nurses comprise half (50.0 per cent) of the Department's workforce, while the remaining 16 072 personnel (50.0 per cent) consist of the other health professionals, technical staff, administrative personnel and support staff essential to the delivery of healthcare services across the Province.

Figure 5.8 Total number of health care workers employed in the Western Cape, 2025/26



Source: Western Cape Department of Health and Wellness

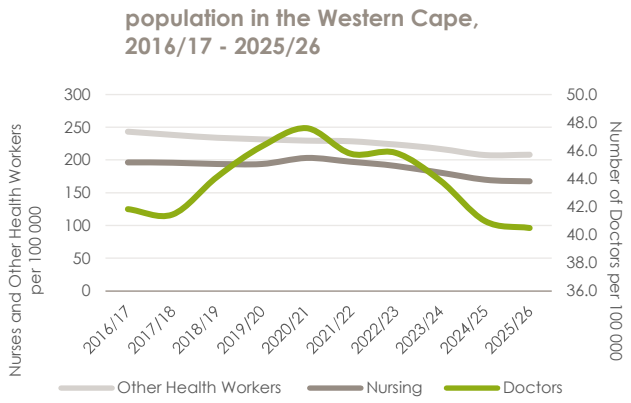
An analysis of healthcare workforce trends over the past decade indicates growing workforce pressures within the DH&W. While the absolute number of employees remained relatively stable, and in some cases increased marginally, workforce growth has not kept pace with the Province's rapidly expanding population. Consequently, the number of healthcare workers per 100 000 population has generally declined over the period, reflecting increasing demand for healthcare services driven by sustained population growth and in-migration and placing greater pressure on the provincial health system.

The nursing workforce has experienced the most pronounced decline, emerging as a significant pressure point for the Department. The number of nurses decreased from 196.7 per 100 000 population in 2016/17 to 167.4 per 100 000 in 2025/26, representing a decline of 29.3 nurses per 100 000 population (approximately 14.9 per cent). This trend is particularly concerning given the central role nurses play in delivering healthcare services, especially within primary healthcare, preventative care, maternal and child health services, and community-based care.

The availability of doctors has also declined over the longer term, despite a temporary increase during the COVID-19 pandemic in response to elevated service demands. The number of public-employed doctors employed by the Department decreased from 41.8 per 100 000 population in 2016/17 to 40.5 per 100 000 in 2025/26, representing a decline of 1.3 doctors per 100 000 population over the period. The doctor-to-population ratio reached a temporary peak of 47.6 per 100 000 population in 2020/21, before declining steadily thereafter. The reduction following the pandemic indicates that the additional capacity mobilised during the pandemic was not sustained as service pressures normalised.

Similarly, the number of other health workers per 100 000 population has steadily declined from 243.0 in 2016/17 to 208.0 in 2025/26, equating to a reduction of 35.0 workers per 100 000 population (approximately 14.4 per cent). Together, these trends highlight that workforce expansion has not kept pace with growing service demand, reinforcing the need for sustained investment in health workforce planning, recruitment and retention to ensure equitable access to quality healthcare services across the province.

Figure 5.9 Number of public employed doctors, nurses, and other health workers per 100 000



Source: Western Cape Department of Health and Wellness

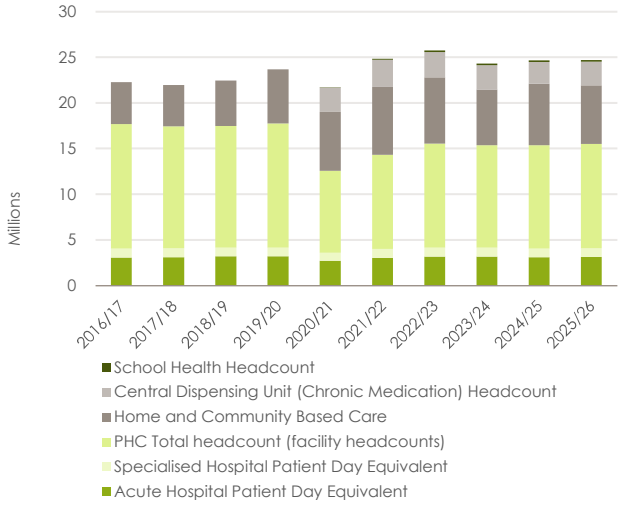
5.2.2 Service Delivery

Despite operating an extensive network of 554 public health facilities, sustained population growth and in-migration, the rising burden of non-communicable diseases, persistent communicable diseases, trauma and violence, increasing mental health needs, and widening socio-economic inequalities continue to drive demand for healthcare services. These pressures are further compounded by workforce shortages, infrastructure constraints and fiscal limitations, particularly within the Cape Metro where population growth has been most pronounced. In response, the DH&W is strengthening primary healthcare, investing in strategic health infrastructure, expanding digital health initiatives and implementing integrated models of care, such as the "One Health" approach, to improve service efficiency and ensure the long-term sustainability of the provincial health system.

Healthcare utilisation trends over the past decade indicate that service delivery is increasingly being reconfigured towards preventative, community-based and integrated models of care. This is in line with the Department's aim of improving health outcomes, strengthening health system resilience and advancing universal health coverage. While primary healthcare (PHC) facilities continue to provide the largest share of healthcare services, PHC facility visits declined from approximately 13.6 million in 2016/17 to 11.4 million in 2025/26, largely reflecting the introduction of alternative service delivery models and the disruption caused by the COVID-19 pandemic rather than a reduction in demand for healthcare services.

In contrast, utilisation of Home and Community-Based Care (HCBC) services over the same period, increased steadily from approximately 4.5 million to 6.4 million contacts, reflecting the Province's growing emphasis on health promotion, chronic disease management and delivering care closer to communities. The continued expansion of the Central Dispensing Unit (CDU), which enables patients with stable chronic conditions to collect medication closer to home, together with the growth in School Health services, reflects a deliberate shift towards integrated and preventative healthcare. These models not only improve patient convenience and continuity of care but also reduce avoidable visits to healthcare facilities, enabling hospitals and clinics to focus on patients requiring more specialised or acute interventions.

Figure 5.10 Public health care facility visits in the Western Cape, 2016/17 to 2025/26



Source: Western Cape Department of Health and Wellness

Hospital utilisation has remained relatively stable over the decade, with both acute and specialised hospital patient day equivalents showing little variation despite increasing population growth and healthcare demand. This suggests that greater investment in primary healthcare, community-based services and chronic disease management may be reducing pressure on higher levels of care by taking services closer to where people live and enabling more patients to be managed outside hospital settings. While these interventions appear to be helping contain pressure on hospital services, rising population growth and increasing demand for healthcare continue to pose significant challenges for the Department.

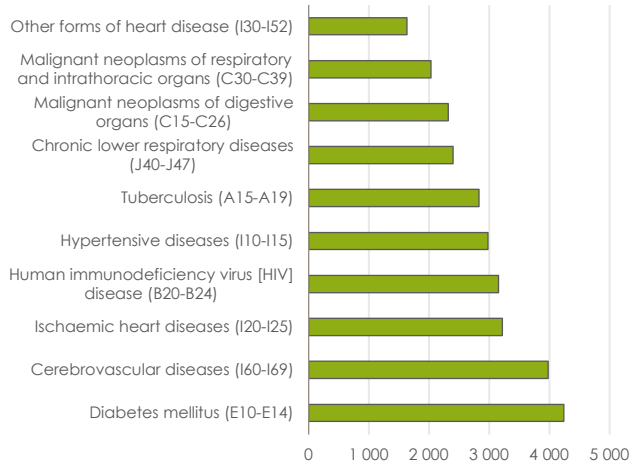
As population growth, in-migration, an ageing population and the burden of chronic disease increase, community-based healthcare will play an increasingly important role in improving access, reducing avoidable hospital admissions and supporting health system sustainability. However, declining PHC facility attendance should continue to be monitored, as it may reflect both the successful decentralisation of services and potential barriers to accessing care. Continued investment in primary healthcare, community-based services and integrated chronic disease management will be essential to meet growing demand and ensure equitable access to healthcare.

5.2.3 Main Causes of Mortality

The Western Cape's mortality profile reflects an epidemiological transition towards non-communicable diseases (NCDs), which now account for most of the leading natural causes of death. According to Statistics South Africa, diabetes mellitus was the leading underlying cause of natural death in the Province, accounting for 7.3 per cent (4 241) of the Province's total mortality. Eight of the Province's top ten natural causes were non-communicable, including cerebrovascular diseases (6.9 per cent), ischaemic heart diseases (5.5 per cent), and hypertensive diseases (5.1 per cent). Although HIV (5.4 per cent) and tuberculosis (4.9 per cent) remain significant contributors to mortality, the growing burden of chronic diseases reflects an ageing population, urbanisation, lifestyle-related risk factors and persistent socio-economic inequalities.

By strengthening early detection, health promotion, continuity of care and treatment adherence, the Department aims to reduce avoidable hospital admissions and improve disease control, which will ultimately alter the Province's mortality profile. Over the longer term, these interventions have the potential to reduce premature deaths from preventable NCDs, sustain gains made in HIV and tuberculosis management, and improve healthy life expectancy. However, achieving these outcomes will depend on continued investment in primary healthcare, prevention programmes, behavioural risk reduction, healthcare workforce capacity and equitable access to services, particularly in the context of rapid population growth and persistent socio-economic inequalities.

Figure 5.11 Top ten underlying natural causes of death in the Western Cape, 2023

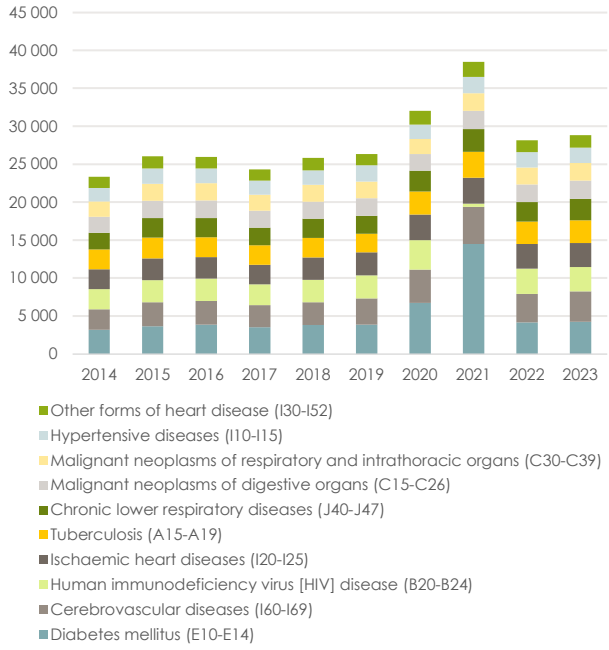


Source: Western Cape Department of Health and Wellness

Note 1: Stats SA has a mandatory 24 - to 36-month processing time required to compile, clean, and meticulously code millions of death notification forms collected nationwide via the civil registration system. Therefore, the 2023 Mortality data was only published on 25 March 2026.

Figure 5.12 illustrates a decade-long shift in mortality patterns in the Western Cape. Deaths from the top ten natural causes remained relatively stable between 2014 and 2019 before rising sharply during the COVID-19 pandemic, peaking in 2021, and declining towards pre-pandemic levels by 2023. While the pandemic temporarily increased deaths from diabetes mellitus, the longer-term trend highlights the Province's growing burden of non-communicable diseases. Diabetes mellitus remained the leading cause of death throughout the period, while cardiovascular diseases and cancers consistently accounted for a large share of mortality. Although HIV and tuberculosis remain among the leading causes of death, their contribution has generally declined over the decade, underscoring the need for a prevention-focused health system that simultaneously addresses chronic diseases, communicable diseases, and their underlying risk factors.

Figure 5.12 Top ten underlying natural causes of death in the Western Cape, 2014 - 2023

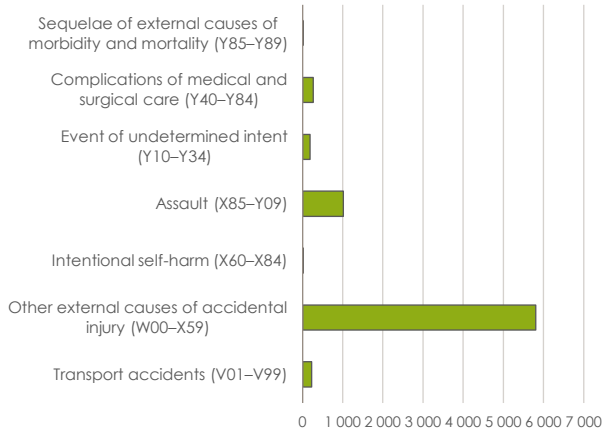


Source: Western Cape Department of Health and Wellness

In 2023, non-natural causes accounted for 7 527 deaths, representing 13.0 per cent of all deaths. As illustrated in Figure 5.13, other external causes of accidental injury is the leading contributor, comprising 77.1 per cent of non-natural deaths (5 804 deaths), followed by assault-related deaths at 13.5 per cent (1 017 deaths), in the Western Cape. Transport accidents accounted for 3.0 per cent (226 deaths), while deaths due to intentional self-harm represented a relatively small share at 0.3 per cent (20 deaths). These figures highlight the significant burden of injury- and violence-related mortality in the Province. This pattern also demonstrates that trauma remains a substantial public health burden alongside the growing prevalence of chronic disease.

Although the Western Cape's mortality profile is increasingly dominated by non-communicable diseases, non-natural deaths remain a significant contributor to premature mortality and place considerable pressure on the provincial health system.

Figure 5.13 Underlying non-natural causes of death in the Western Cape, 2023



Source: Western Cape Department of Health and Wellness

Note 1: Sequelae of external causes of morbidity and mortality refer to the long-term, lasting health conditions or disabilities that persist long after the initial injury, accident, or trauma has occurred (e.g., paralysis following a car crash or scarring after a burn).

Over the medium to long term, the Department's strategic emphasis on integrated violence prevention has the potential to reshape the Province's non-natural mortality profile by reducing assault-related deaths, alcohol and substance-related injuries, and trauma presentations at health facilities. Combined with continued investment in emergency medical services, trauma care and multisectoral safety initiatives, these interventions can contribute to fewer preventable deaths, healthier communities and a more productive workforce. Reducing the burden of violence will also enable the health system to redirect greater resources towards prevention and the long-term management of non-communicable diseases, supporting improved life expectancy and healthier ageing across the Province.

5.2.4 HIV Management

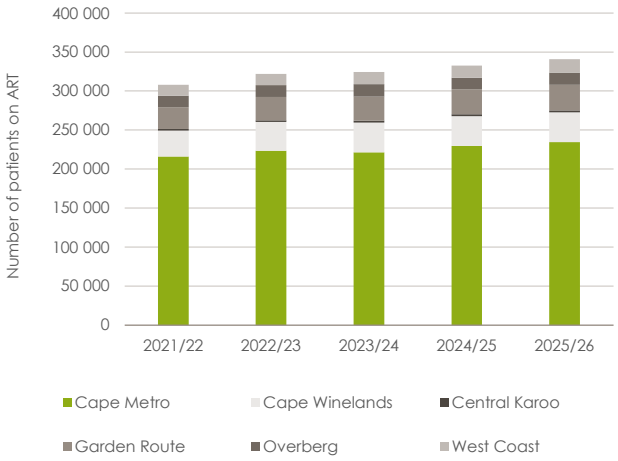
The Department of Health and Wellness (DH&W) aligns its HIV response with the UNAIDS 95-95-95 targets, which aim for 95 per cent of people living with HIV to know their HIV status, 95 per cent of those diagnosed to receive sustained antiretroviral therapy (ART), and 95 per cent of those receiving treatment to achieve viral suppression. Progress towards these targets is fundamental to reducing HIV transmission, improving health outcomes, lowering HIV-related mortality and advancing the goal of ending HIV/AIDS as a public health threat by 2030.

The number of patients receiving antiretroviral therapy (ART) in the Western Cape increased steadily between 2021/22 and 2025/26, demonstrating continued progress in expanding access to life-saving treatment. Growth was recorded across all districts, with particularly strong increases in rural areas such as the West Coast (25 per cent), Central Karoo (18.6 per cent) and Garden Route (17.5 per cent).

The trend suggests improvements in HIV testing, linkage to care, and treatment retention, supported by decentralised service delivery models and expanded community-based interventions. Sustained expansion of ART coverage remains critical to achieving viral suppression, reducing HIV-related morbidity and mortality, and preventing new infections. Beyond strengthening the Province's HIV response, expanded treatment coverage also contributes to improved maternal and child health by reducing mother-to-child transmission and HIV-related complications during pregnancy.

Notwithstanding these gains, important challenges remain in achieving the UNAIDS 95-95-95 targets. Disruptions to HIV services during the COVID-19 pandemic exacerbated existing inequalities in access to care, while geographic disparities persist, with some districts continuing to lag behind the provincial average. These disparities highlight the need for targeted interventions to strengthen equitable access to HIV prevention, testing and treatment services.

Figure 5.14 HIV patients remaining on ART in the Western Cape by district, 2021/22 to 2025/26



Source: Western Cape Department of Health and Wellness

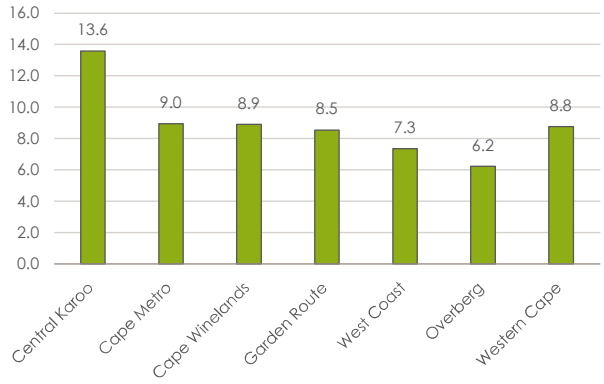
To sustain progress towards the UNAIDS 95-95-95 targets, the Department continues to strengthen its HIV programme through interventions that improve prevention, treatment uptake and long-term retention in care. These include expanding Differentiated Models of Care (DMoC) for clinically stable patients, further integrating HIV services within primary healthcare, increasing HIV testing, scaling up access to pre-exposure prophylaxis (PrEP), and expanding condom distribution. Collectively, these interventions are improving life expectancy among people living with HIV, reducing the long-term burden of HIV on the health system, and supporting healthier, more productive communities.

5.2.5 Neonatal Mortality

Neonatal mortality[1] is a widely recognised indicator of the quality of maternal and newborn healthcare, reflecting both the effectiveness of health services during pregnancy and childbirth, and the care provided in the first 28 days of life. Improvements in neonatal survival are closely associated with timely access to skilled obstetric and neonatal care, effective referral systems, and the availability of specialised services for high-risk pregnancies and newborns. Monitoring neonatal mortality therefore provides valuable insight into the performance of the health system and highlights areas where targeted improvements are required.

Although the Western Cape continues to perform relatively well compared to many other parts of the country, further reductions in neonatal mortality will require sustained improvements in the quality of maternal and newborn healthcare, particularly in districts with consistently higher mortality rates. Strengthening early identification of high-risk pregnancies, improving referral and emergency obstetric services, and enhancing neonatal intensive and specialised care will be critical to improving newborn survival and reducing inequities in health outcomes across the province.

Figure 5.15 Average in-facility neonatal mortality rate per 1 000 live births in the Western Cape by District, 2018/19 to 2022/23



Source: Western Cape Department of Health and Wellness

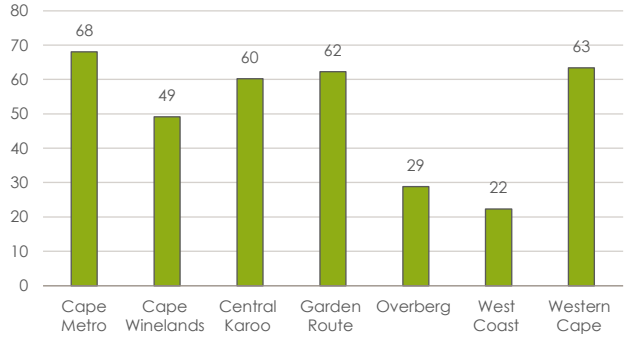
The Western Cape recorded an average neonatal mortality rate of 8.8 deaths per 1 000 live births between the period 2018/19 and 2022/23, compared with an average target of 8.1 deaths per 1 000 live births, with considerable variation across districts. Year-on-year data reveals that the provincial rate fluctuated over this period, initially decreasing from 9.3 in 2018/19 to a low of 8.0 in 2021/22, before rising sharply to 9.4 deaths per 1 000 live births in 2022/23. The Central Karoo District recorded the highest average neonatal mortality rate (13.6 per 1 000 live births), and it also experienced the most notable increase among all districts and the Metro, with its annual rate nearly doubling from 12.1 in 2018/19 to 23.2 deaths per 1 000 live births in 2022/23. Conversely, the Overberg (6.2) and West Coast (7.3) districts reported the lowest rates. The Cape Metro (9.0) and Cape Winelands (8.9) remained marginally above the provincial average, with the Garden Route (8.5) recording a slightly lower rate. These geographic disparities highlight persistent inequalities in maternal and newborn health outcomes, reflecting differences in access to quality antenatal and neonatal care, specialist referral services and broader socio-economic conditions.

According to the World Health Organization (WHO), prematurity, intrapartum complications and neonatal infections remain the leading causes of neonatal mortality, underscoring the importance of strengthening maternal and newborn healthcare, infection prevention, routine immunisation and targeted interventions in higher-risk districts to further improve newborn survival.

5.2.6 Maternal mortality trends

Maternal mortality is a key measure of the quality, accessibility and effectiveness of maternal healthcare services and serves as an important indicator of overall health system performance. Reducing maternal deaths is a global priority under Sustainable Development Goal (SDG) 3.1, which seeks to lower the maternal mortality ratio to fewer than 70 deaths per 100 000 live births by 2030. The Western Cape continues to perform well relative to other provinces and, according to the Department of Health and Wellness, was the only province to achieve this target in 2023/24 (Western Cape Department of Health and Wellness, 2026).

Figure 5.16 Maternal mortality ratio by district (public health facilities) in the Western Cape, average between 2021/22 and 2025/26



Over the five-year period, the Western Cape recorded an average maternal mortality ratio of 63 deaths per 100 000 live births. Year-on-year data show a consistent downward trend, with the maternal mortality ratio decreasing consistently each year from 77.9 in 2021/22 to 51.0 deaths

[1] The 2023 Stats SA mortality report does not provide age-specific mortality data. Consequently, updated infant mortality and under-five mortality rates could not be calculated or reported.

per 100 000 live births in 2025/26. While the Cape Metro average (68) exceeded the provincial average, its annual rate improved from 81.2 to 61.2 over the period. Conversely, the West Coast (22), Overberg (29) and Cape Winelands (49) recorded substantially lower averages, with the Cape Winelands achieving a major reduction from 113.6 in 2021/22 to 21.7 in 2025/26. However, the Garden Route district emerged as a notable exception to these declines, experiencing the most prominent increase in maternal mortality as its annual ratio rose from 53.7 in 2021/22 to 75.5 deaths per 100 000 live births in 2025/26.

The variation across districts reflects differences in access to and utilisation of maternal healthcare services, the quality and continuity of care, referral pathways and broader socio-economic conditions that influence maternal health outcomes. Although the Province has achieved the SDG 3.1 target, the higher maternal mortality ratio in the Cape Metro indicates the need for continued efforts to strengthen maternal healthcare services and address preventable maternal deaths in areas facing greater health system pressures.

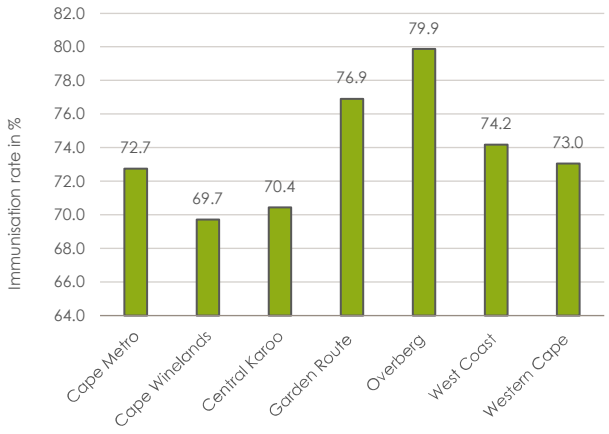
While the Province has made significant progress in reducing maternal mortality, sustaining these gains will require continued efforts to address both health system challenges and the broader social determinants that influence maternal health outcomes. Factors such as poverty, gender inequality, teenage pregnancy and gender-based violence continue to contribute to preventable maternal deaths. To further improve maternal outcomes, the Department is prioritising early access to antenatal care, strengthened postnatal follow-up, integrated maternal health services, and targeted investments in obstetric infrastructure to enhance the quality, accessibility and continuity of care for mothers and newborns (Department of Health and Wellness Annual Performance Plan, 2026/27).

5.2.7 Childhood Immunisations

Childhood immunisation remains one of the most cost-effective public health interventions for reducing childhood morbidity and mortality. Infants and young children are particularly susceptible to vaccine-preventable diseases due to their immature immune systems, placing them at greater risk of severe illness, disability and death. The routine immunisation programme protects against diseases such as measles, poliomyelitis, pertussis, rotavirus, tetanus and Haemophilus influenzae type b (Hib), significantly reducing the incidence of these preventable conditions. Maintaining high vaccination coverage is therefore essential to preventing outbreaks, reducing pressure on the health system and improving child survival outcomes.

Over the five-year period, the Western Cape recorded an average immunisation coverage rate of 73.0 per cent. This represents a concerning decline from the prior five-year average of 81.0 per cent, and remains well below the 95 per cent coverage required to achieve herd immunity for highly infectious diseases such as measles. This reduction in coverage implies a growing vulnerability to outbreaks of vaccine-preventable diseases, increased risks of childhood morbidity and mortality, and mounting pressure on the provincial health system. Significant geographic disparities are evident across the province, with the Overberg (79.9 per cent) and Garden Route (76.9 per cent) recording the highest average coverage rates, while the Cape Winelands (69.7 per cent) and Central Karoo (70.4 per cent) recorded the lowest. The Cape Metro (72.7 per cent) and West Coast (74.2 per cent) remained close to the provincial average.

Figure 5.17 Average immunisation coverage for children under 1 year by district in the Western Cape, 2021/22 - 2025/26



Source: Western Cape Department of Health and Wellness

The persistently low immunisation coverage across all districts has been identified by the Western Cape Department of Health and Wellness as a significant public health concern, reflecting broader challenges such as vaccine hesitancy, service disruptions, socio-economic barriers and population growth. If these coverage levels are not improved, the Province will remain vulnerable to outbreaks of vaccine-preventable diseases, increased childhood morbidity and mortality, and growing pressure on the healthcare system.

Strengthening routine immunisation, improving community awareness and addressing barriers to vaccine access will be critical to improving child survival outcomes and protecting population health. The Department has classified outbreaks of vaccine-preventable diseases as a strategic risk and has prioritised strengthening routine immunisation services, surveillance systems, and outbreak response mechanisms. Through a coordinated "One Health" approach, the Department aims to reverse the downward trend, with immunisation coverage targets increasing to 74.8 per cent in 2026/27 and 79.6 per cent by 2028/29.

5.2.8 Mental Health

Mental health has emerged as a growing public health challenge globally, with rising levels of anxiety, depression, substance abuse, and psychological distress contributing to an increasing burden of disease and mortality. In South Africa, neuropsychiatric disorders are among the leading contributors to the burden of disease, ranking only behind HIV/AIDS and other infectious diseases.

The South African Stress and Health Study (Herman et al., 2009) found that the Western Cape had the highest prevalence of mental disorders among South African provinces, with a lifetime prevalence of 39.4 per cent. As this estimate is derived from an older survey, it should be interpreted as historical evidence of the Province's mental health burden rather than as a current prevalence estimate. The Province's mental health challenges are further compounded by persistent socio-economic inequalities, community violence, trauma and substance abuse.

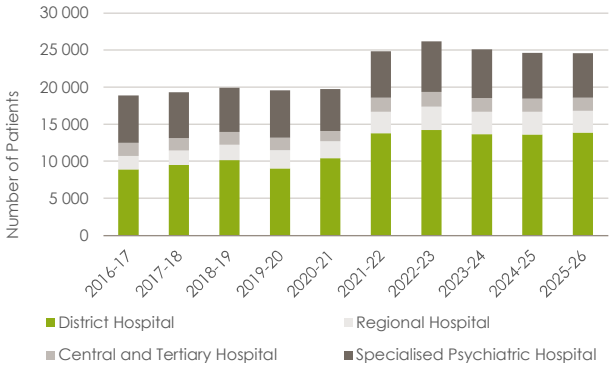
These factors contribute to elevated levels of psychological distress and increase the risk of self-harm and suicide, underscoring the need for integrated mental health services, early intervention programmes, and community-based support systems. These trends reflect broader global concerns regarding deteriorating mental wellbeing. The World Health Organization (WHO) reported a substantial increase in anxiety and depressive disorders following the pandemic, with vulnerable groups, including young people, women, and low-income households, disproportionately affected (WHO, 2022).

Psychiatric admissions

Psychiatric admissions are an important indicator of severe mental health conditions requiring hospital-based care. In the Western Cape, admissions increased by 30.4 per cent between 2016/17 and 2025/26, with a marked rise following the COVID-19 pandemic, driven mainly by district and regional hospitals. This trend reflects growing mental health needs linked to socio-economic pressures such as unemployment, poverty, violence and substance abuse. While improved detection may have contributed, the sustained increase highlights the need for continued investment in prevention, early intervention and community-based mental health services.



Figure 5.18 Psychiatric hospital admissions in the Western Cape, 2016/17 to 2025/26



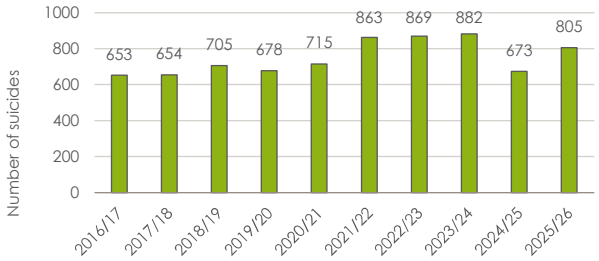
Source: Western Cape Department of Health and Wellness

Suicides

Suicide trends provide a further indication of the growing mental health burden in the Western Cape. As illustrated in Figure 5.19, the number of reported suicide incidents increased from 653 in 2016/17 to a peak of 882 in 2023/24, before falling to 673 in 2024/25 and rising again to 805 in 2025/26. The sharp increase observed from 2021/22 onwards coincided with the COVID-19 pandemic and its aftermath, a period characterised by heightened psychological distress, social isolation, economic uncertainty, bereavement and disruptions to support networks.

Although reported suicide incidents declined sharply during 2024/25, the level recorded in 2025/26 remained substantially above that observed prior to the pandemic. This suggests that the underlying drivers of poor mental health, including socio-economic hardship, trauma, violence and substance abuse, continue to place significant psychological strain on many residents.

Figure 5.19 Number of suicides in the Western Cape, 2016/17 - 2025/26



Source: Western Cape Department of Health and Wellness

To assist in tackling the mental health burden and suicides in the Province, the Department of Health and Wellness implements a multi-pronged approach to address mental healthcare, with both psychiatric hospitals and acute psychiatric wards being expanded. Through National Health Insurance (NHI) funding, additional psychiatrists, psychologists, and counsellors are contracted to increase access. Furthermore, the Department implements community interventions addressing youth resilience, violence prevention, and early childhood mental health.

Movement: The Body's Everyday Medicine

Physical activity is more than an individual lifestyle choice; it is an important and relatively low-cost component of preventative healthcare. This is particularly relevant in the Western Cape, where non-communicable diseases (NCDs), including cardiovascular disease, diabetes and hypertension, account for a substantial share of mortality. Increasing physical activity can help prevent and manage these conditions by improving cardiovascular health, supporting healthy blood-glucose regulation, reducing blood pressure and lowering the risk of premature death (World Health Organization [WHO], 2024).

The relevance of movement extends beyond the prevention of disease to the way health services are organised and delivered. As the Western Cape strengthens primary healthcare and shifts towards more preventative and community-based approaches, physical activity can form part of routine health promotion and NCD prevention. Simple interventions, such as encouraging walking, active play, household activities and other forms of moderate activity, can complement clinical treatment and help people manage their health before conditions require more intensive care. This is particularly important in a context where rising NCD burdens place sustained demands on the public health system.

Community-based services provide an important platform for this preventative approach. The expansion of Home and Community-Based Care (HCBC) services in the Western Cape, with reported contacts increasing from 4.5 million to 6.4 million, strengthens the potential to incorporate health-promotion messages and practical physical-activity advice into routine interactions with individuals and households. This approach is consistent with a broader shift towards bringing healthcare and prevention closer to communities, rather than relying predominantly on facility-based interventions. It also supports the principles underpinning integrated approaches such as the One Health model, which recognises the interconnectedness of human, animal and environmental health and the importance of addressing health risks across these systems.

Physical activity also has benefits across the life course. For children, active play supports healthy growth, motor development and learning. For working-age adults, regular movement can support cardiovascular health, reduce the risk of hypertension and type 2 diabetes, and contribute to mental wellbeing. Among older people, activities that improve strength, balance and mobility can help maintain independence and reduce the risk of falls (WHO, 2024). These benefits reinforce the value of embedding physical activity within broader prevention and wellness initiatives rather than treating it solely as a recreational activity.

The evidence-based message is not that people need intensive exercise programmes, but that regular movement should form part of everyday life. Adults are generally encouraged to undertake 150 - 300 minutes of moderate-intensity physical activity per week and muscle-strengthening activities on at least two days per week (Piercy et al., 2018). However, some activity is better than none, and incremental increases in movement can provide meaningful health benefits, particularly for people who are currently inactive.

For the Western Cape, promoting movement therefore represents an opportunity to connect individual behaviour with broader health-system priorities. Integrating physical-activity promotion into primary healthcare, HCBC and community-based prevention can contribute to reducing modifiable NCD risk factors while supporting healthier ageing, mental wellbeing and independence. In this way, movement is not simply an individual lifestyle choice, but a practical preventative-health intervention that can complement the Province's efforts to shift the health system towards prevention, early intervention and care closer to communities.

5.3 Household services

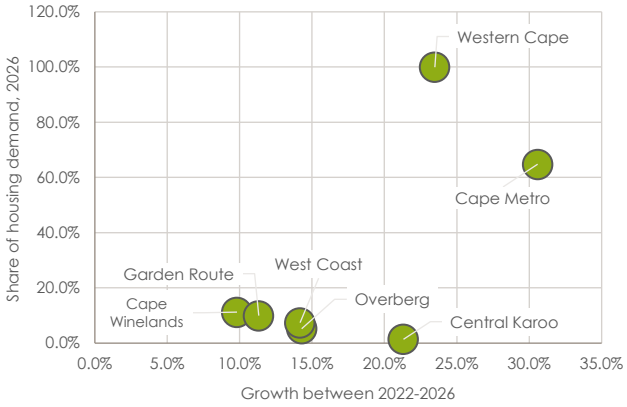
Basic household services underpin healthy, productive and resilient communities. Access to electricity, safe water, sanitation and regular refuse removal improves wellbeing and public health, while also supporting economic participation, education and environmental sustainability. These services help reduce inequality, strengthen resilience to shocks and improve the viability of settlements.

In the Western Cape, sustained population growth, urbanisation and changing settlement patterns make the expansion and maintenance of quality municipal services a key priority. Tracking household service delivery trends provides insight into progress in improving living standards, addressing backlogs and aligning infrastructure investment with growing demand.

5.3.1 Housing Demand Continues to Outpace Supply

Between 2022 and 2026, total housing demand in the Western Cape rose by 23.5 per cent, from 601 351 in 2022 to 742 499 in 2026, in terms of the total number of "waiting" applications on the Western Cape Housing Demand Database. This increase of 141 148 registered applications reflects ongoing population pressures and urbanisation, particularly in the Cape Metro, which accounts for 64.8 per cent of the Province's housing demand in 2026, underscoring the need for sustained housing interventions.

Figure 5.20 Share of registered housing demand in the Western Cape per district, 2026 and housing demand growth (2022 - 2026)



Source: Western Cape Department of Infrastructure

Outside the Metro, between 2022 and 2026, the Central Karoo District (CKD) raises concern because of the high level of registered demand. The number of households in the CKD registered for state housing support rose by 21.3 per cent, from 8 673 in 2022 to 10 521 in 2026, slightly below the provincial increase of 23.5 per cent. Housing demand in the District is highest in the Beaufort West municipal area, where an estimated 55.8 per cent of households were registered on the Western Cape Housing Demand Database in 2026[2]. The increasing demand for housing support underscores the need for integrated interventions that address not only housing delivery, but also the underlying constraints related to municipal capacity, infrastructure provision, service accessibility, economic development, and spatial transformation in rural areas.

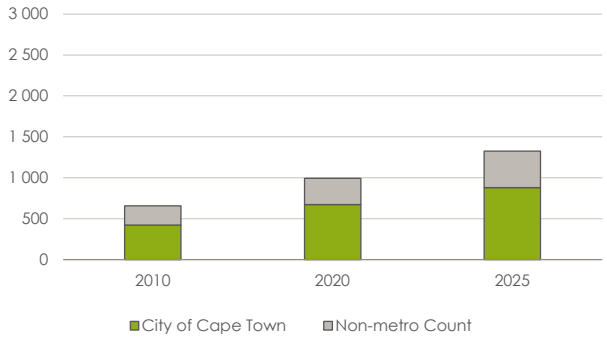
The Rapid Expansion of Informal Settlements Signals Growing Housing Pressure

Rapid population growth, urbanisation and constrained housing delivery have contributed to the accelerated expansion of informal settlements across the Western Cape, making informal settlement growth an increasingly important indicator of housing need.

While the provincial housing demand database captures households registered for state-assisted housing, many households unable to access formal housing increasingly establish or expand informal settlements, particularly in well-located areas that provide access to employment opportunities, public transport and municipal services. As such, trends in informal settlement growth provide an important complementary measure of housing pressure across the Province.

The Western Cape recorded 1 327 informal settlements in 2025, comprising 881 settlements within the Cape Metro and 446 across the non-metropolitan districts. Garden Route (232) and Cape Winelands (113) districts jointly represent 77 per cent of all non-metro informal settlement locations.

Figure 5.21 Total number of informal settlements in the Western Cape, 2025



Source: Western Cape Department of Infrastructure

Note: Data on the number of informal settlements was not available for 2015 and is therefore not presented.

Between 2010 and 2020, the total number of informal settlements increased by approximately 51 per cent, followed by a further 33 per cent increase between 2020 and 2025, despite the latter period spanning only half the time. The magnitude of the increase observed over the

[2] The estimate is based on 2025 household data, the latest available from Quantec.

past five years reflects an unprecedented acceleration in informal settlement growth across the province. Particularly notable is the acceleration in non-metropolitan municipalities, where the number of informal settlements grew by 124 units between 2020 and 2025, exceeding the increase recorded during the entire preceding decade of 89 units (2010 - 2020). This rapid expansion was largely driven by widespread land occupations during the COVID-19 pandemic, when court rulings and emergency regulations temporarily constrained the enforcement of evictions, thereby facilitating the rapid establishment and expansion of informal settlements.

Growth has occurred not only through the establishment of new settlements but also through the densification and outward expansion of existing informal settlements. Across the Province, the number of informal settlement structures increased from approximately 177 582 in 2010 to 270 542 in 2020, before rising sharply to 432 763 structures by 2025, representing 60 per cent growth in only five years. The strongest proportional growth occurred in non-metropolitan municipalities, increasing from 65 573 structures in 2020 to 149 541 structures in 2025. This suggests that informal settlement expansion is increasingly becoming a province-wide phenomenon rather than one concentrated solely within the Cape Metro.

Figure 5.22 Expansion of informal settlements in Khayelitsha and Mfuleni, within the City of Cape Town (2020 - 2025)



Source: Western Cape Department of Infrastructure

Figure 5.22 illustrates the spatial expansion of informal settlements in Khayelitsha and Mfuleni between 2020 and 2025, highlighting the rapid growth experienced within the Cape Metro. Over the five-year period, the informal settlement footprint in Khayelitsha increased from 642.73 hectares to 843.69 hectares, representing an increase of 200.96 hectares (31.3 per cent), while Mfuleni expanded from 356.96 hectares to 505.18 hectares, an increase of 148.22 hectares (41.5 per cent).

The concentration of growth adjacent to existing settlements and along major transport corridors reflects the continued demand for well-located land with access to employment opportunities, public transport and basic services.

Conventional greenfield housing delivery is increasingly being outpaced by rapid urbanisation, population growth, and the continued emergence and expansion of informal settlements. As a result, it is no longer sufficient on its own to address the scale, complexity, and diversity of informal settlement challenges across the Western Cape. Recognising these realities, the Province has adopted a renewed approach to informal settlement upgrading that promotes a broader basket of incremental upgrading interventions tailored to settlement-specific conditions, rather than relying predominantly on conventional full-upgrading projects.

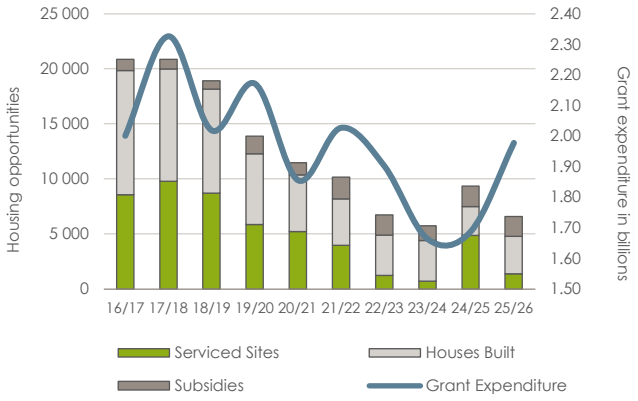
This approach is underpinned by the Informal Settlements Upgrading Partnership Grant (ISUPG), which remains the Province's primary funding mechanism for planning, interim basic services, serviced sites, and housing opportunities. In line with the Western Cape Informal Settlements Strategic Framework (ISSF), the Province has adopted an area-based, people-centred and incremental development approach that prioritises in-situ upgrading, enhanced tenure security and the progressive provision of basic infrastructure services. This enables municipalities to implement the most appropriate upgrading response based on local circumstances, including enhanced serviced sites, incremental housing typologies, interim basic services, and innovative super-blocking/re-blocking interventions.

Housing Delivery Under Increasing Pressure

As housing demand continues to rise in the Western Cape, delivering serviced sites, housing units and subsidies remains essential to improving living conditions, reducing spatial inequality and supporting inclusive growth. With more than 740 000 applications on the housing demand database, sustained investment in housing delivery and supporting infrastructure is critical to developing sustainable human settlements.

Between 2016/17 and 2025/26, the Western Cape delivered 124 466 housing opportunities, comprising 60 159 completed housing units, 50 165 serviced sites and 14 142 housing subsidies. Annual housing delivery declined from 20 849 opportunities delivered in 2016/17 to 6 571 in 2025/26. Fiscal constraints, rising construction costs, land shortages, rapid urbanisation, COVID-19-related disruptions and criminal interference at construction sites have all contributed to reduced delivery capacity and growing pressure on the human settlements sector.

Figure 5.23 Number of houses, serviced sites delivered, subsidies and grant expenditure in the Western Cape, 2016/17 - 2025/26

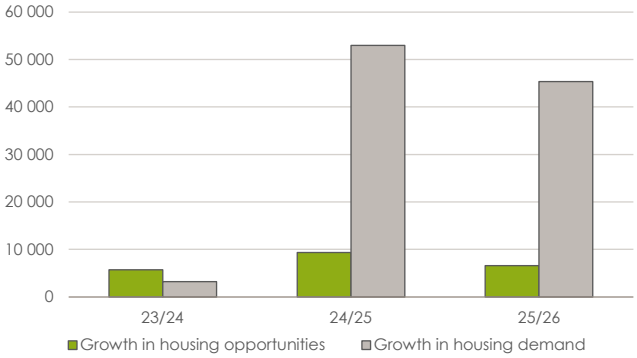


Source: Western Cape Department of Infrastructure

Grant expenditure, which primarily finances housing opportunities through the Human Settlements Development Grant (HSDG) and the Informal Settlements Upgrading Partnership Grant (ISUPG), remained relatively stable over the period despite fluctuations in housing output. This suggests that increasing construction and infrastructure costs have reduced the number of housing opportunities that can be delivered for a given level of funding. At the same time, the number of housing subsidies increased by 76.7 per cent over the decade, reflecting continued efforts to expand access to housing assistance and support a broader range of housing interventions across the Province.

A comparison of growth in housing demand and housing opportunities highlights the widening gap between need and delivery in the Western Cape. Between 2023/24 and 2025/26, housing demand increased by 98 322 households, while only 21 645 additional housing opportunities were delivered. This means that the Province was able to meet approximately 22.0 per cent of the growth in demand over the period, underscoring the increasing pressure on the housing sector.

Figure 5.24 Growth in housing demand vs growth in housing opportunities in the Western Cape, 2023/24–2025/26



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

Infrastructure-Led Housing Solutions for a Growing Province

The widening gap between housing demand and delivery underscores the need for a more diversified and integrated housing delivery strategy. International evidence suggests that jurisdictions experiencing rapid urbanisation and fiscal constraints achieve better outcomes by combining serviced site delivery and incremental housing with informal settlement upgrading, greater private sector participation, innovative financing mechanisms, and expanded affordable rental and social housing (UN-Habitat, 2011, 2026).

This approach aligns with the Department of Infrastructure's Western Cape Infrastructure Strategy (WCIS) 2050 and Western Cape Infrastructure Implementation Plan (WCIIP) 2050, which translate the vision of the Western Cape Infrastructure Framework (WCIF) 2050 into a coordinated programme of action centred on infrastructure-led growth, integrated planning, spatial transformation, and the mobilisation of private sector investment.

By adopting a systems-based and collaborative approach to infrastructure delivery, the Province can increase the scale and sustainability of housing provision while making more efficient use of constrained public resources and advancing broader economic and social development objectives.

Unlocking Wealth through Secure Property Ownership

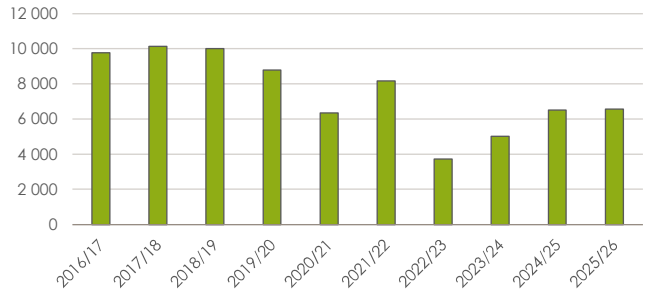
Between 2016/17 and 2025/26, a total of 75 029 title deeds were transferred to beneficiaries across the Western Cape, advancing the Province's objective of promoting secure tenure and asset ownership as part of its broader human settlements strategy. Title deed delivery peaked in 2017/18 and 2018/19, with more than 10 000 title deeds issued annually. However, performance declined significantly

between 2019/20 and 2022/23, reaching a low of 3 727 title deeds in 2022/23. This decline was driven by a combination of funding constraints, project implementation delays, administrative backlogs, and disruptions associated with the COVID-19 pandemic.

Performance has since improved, with 6 565 title deeds transferred in 2025/26, substantially exceeding the annual target of 4 500. This recovery is largely attributable to enhanced operational support provided to municipalities, strengthened collaboration between provincial and local government, and improvements to data verification and reporting processes that have increased the accuracy of performance reporting and facilitated progress in addressing historical transfer backlogs.

Despite these gains, the continued underperformance of some municipalities on the Title Deed Restoration Project highlights the need to further strengthen municipal implementation capacity, streamline administrative and conveyancing processes, and reinforce intergovernmental coordination. Sustained progress in these areas will be critical to accelerating title deed transfers, reducing the remaining backlog, and expanding secure property ownership, thereby enabling households to realise the social and economic benefits associated with formal asset ownership, including greater tenure security and potentially improving access to finance and opportunities for intergenerational asset accumulation.

Figure 5.25 Number of title deeds registered, in the Western Cape, 2016/17 - 2025/26



Source: Western Cape Department of Infrastructure

5.3.2 Dwelling services

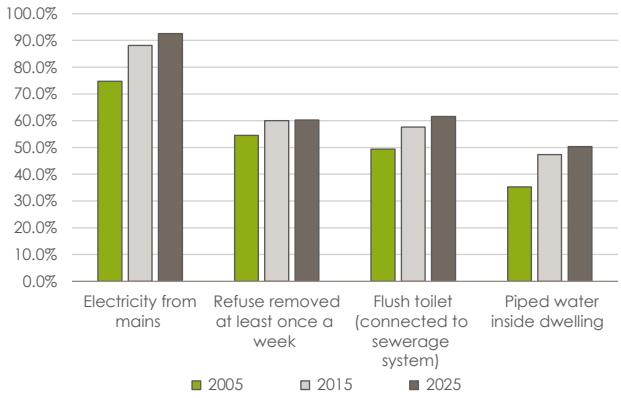
Access to basic municipal services remains a fundamental determinant of quality of life, public health, economic participation and social wellbeing. Reliable provision of electricity, water, sanitation and refuse removal not only supports household welfare but also enables broader socio-economic development by improving living conditions, reducing environmental and health risks, and enhancing opportunities for education, employment and enterprise development. As the Western Cape continues to experience population growth and urbanisation pressures, ensuring equitable and sustainable access to these essential services remains central to building resilient and inclusive communities.

National service delivery trends, excluding the Western Cape, over the past two decades indicate steady improvements in household access to most basic services. Between 2005 and 2025, access to electricity increased from 74.8 per cent to 92.6 per cent of households, reflecting substantial progress towards universal coverage. Access to flush toilets connected to a sewerage system also improved significantly, rising from 49.3 per cent to 61.6 per cent over the period. Similarly, the proportion of households with piped water inside the dwelling increased from 35.2 per cent to 50.3 per cent, signalling gradual improvements in living standards and household convenience. Progress in weekly refuse removal was more modest, increasing from 54.5 per cent in 2005 to 60.2 per cent in 2025, with little improvement recorded since 2015.

Despite the progress achieved in expanding access to basic municipal services, municipalities continue to face a range of structural and fiscal challenges that affect the pace and sustainability of service delivery. Rapid population growth and urbanisation place increasing pressure on existing infrastructure, while ageing assets, maintenance backlogs and capacity constraints can limit the expansion and reliability of essential services.

Addressing these challenges will require sustained investment in the maintenance and upgrading of municipal infrastructure, informed by evidence on population growth, service backlogs and infrastructure needs. Strengthening long-term planning and improving infrastructure resilience will be critical to sustaining service delivery gains, supporting public health and environmental sustainability, and ensuring equitable access to basic services.

Figure 5.26 Share of basic municipal services to total household dwellings in the rest of South Africa, 2005, 2015, 2025



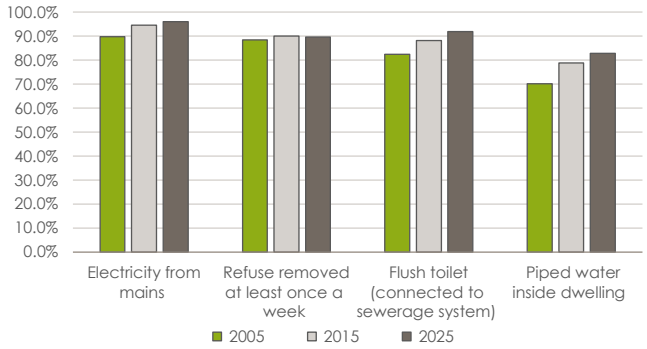
Source: Quantec, Provincial Treasury (own calculations)

Between 2005 and 2025, the Western Cape recorded substantial improvements in household access to basic municipal services, reflecting sustained investment in service delivery and infrastructure development. Access to electricity supplied from the mains increased from 89.7 per cent to 96.0 per cent, while the proportion of

households with access to flush toilets rose from 82.3 per cent to 91.8 per cent.

The most significant improvement was recorded in access to piped water inside the dwelling, which increased by 12.7 percentage points, from 70.1 per cent in 2005 to 82.8 per cent in 2025. Collectively, these gains demonstrate significant progress in expanding access to essential services and improving household living conditions across the Province.

Figure 5.27 Share of basic municipal services to total household dwellings in the Western Cape, 2005, 2015, 2025

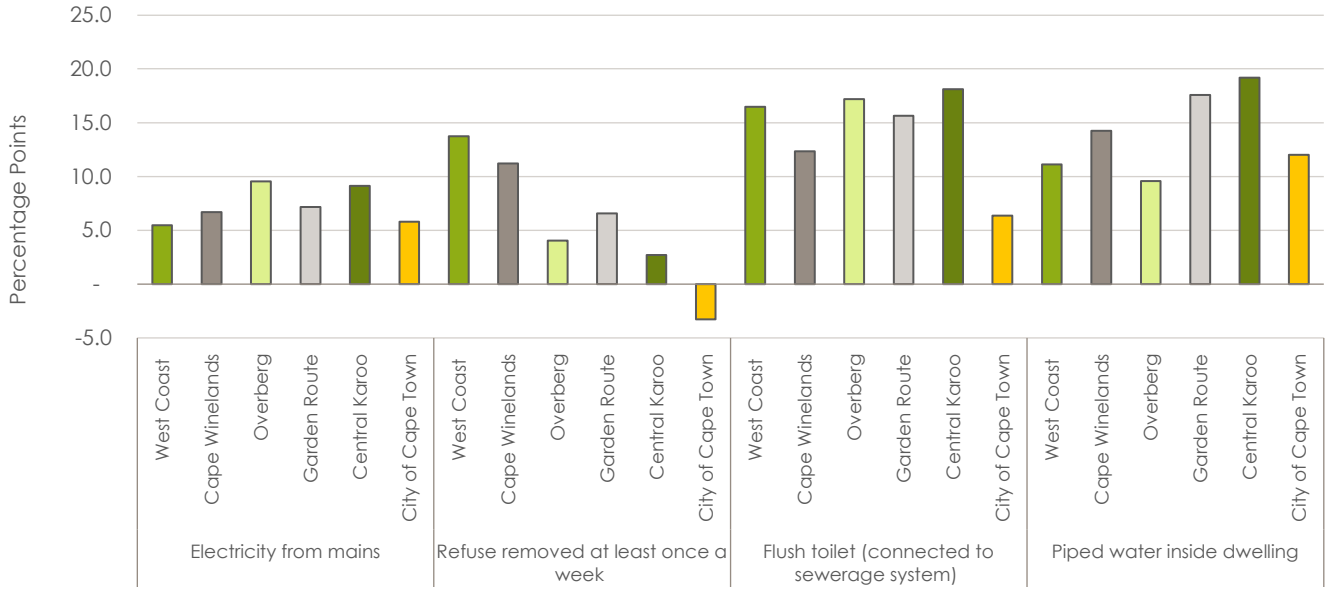


Source: Quantec, Provincial Treasury (own calculations)

The Western Cape continues to outperform the rest of South Africa in the provision of basic municipal services. In 2025, the Province exceeded the rest of South Africa by 29.4 percentage points in household access to refuse removal, 30.2 percentage points in access to flush toilets, and 32.5 percentage points in access to piped water inside the dwelling. These substantial differences reflect the Province's sustained investment in municipal infrastructure, effective service delivery, and ongoing commitment to expanding equitable access to essential basic services.

An analysis of growth in household access to basic municipal services between 2005 and 2025 reveals notable variations across the Western Cape's districts, reflecting differences in demographic trends, settlement patterns, infrastructure investment and historical service backlogs. Although most districts recorded improvements across the four key service categories, performance was uneven, with some areas experiencing limited growth and, in the case of weekly refuse removal in the Cape Metro, a decline over the period.

Figure 5.28 Growth in basic municipal services per district, 2005 - 2025



Source: Quantec, Provincial Treasury (own calculations)

Note: Comparisons of growth rates across districts should be interpreted with caution. Differences in population size, household numbers and baseline levels of service provision can significantly influence the rate of growth observed. Smaller districts may record larger percentage-point increases from a relatively low base, while larger and more urbanised areas may experience slower growth rates despite delivering services to substantially greater numbers of households.

In terms of household access to electricity, the strongest growth was recorded in the Overberg District, where access increased by 9.6 percentage points over the period, followed closely by the Central Karoo District at 9.1 percentage points. These gains suggest continued investment in network expansion and household electrification. Improved access to electricity supports household wellbeing, economic participation and educational outcomes, while also reducing reliance on more costly and environmentally harmful energy sources.

The West Coast District recorded the highest growth in households receiving refuse removal services at least once a week, increasing by 13.8 percentage points between 2005 and 2025. This improvement reflects the expansion of municipal service coverage alongside population growth and settlement expansion. Effective refuse removal plays a critical role in maintaining environmental health, reducing

pollution and supporting the attractiveness and quality of life of communities.

The most significant gains in access to flush toilets connected to a sewerage system were recorded in the Central Karoo District, where coverage increased by 18.1 percentage points over the period. This substantial improvement highlights progress in expanding sanitation infrastructure and reducing reliance on less formal sanitation arrangements.

Similarly, the Central Karoo District achieved the strongest growth in household access to piped water inside the dwelling, increasing by 19.2 percentage points. Access to reliable in-dwelling water remains one of the most important indicators of living standards and household wellbeing. The strong growth recorded in the district suggests meaningful progress in addressing historical service deficits and improving access to essential infrastructure despite the challenges associated with servicing geographically dispersed and often sparsely populated communities.

The Western Cape has demonstrated a steadfast commitment to enhancing the quality of life for its residents through significant advancements in basic municipal service delivery over the past two decades. The Province has consistently and significantly recorded higher levels of access than the rest of South Africa. While notable regional progress in districts such as the Central Karoo and West Coast highlights the success of targeted infrastructure expansion, the Province must continue to navigate the dual pressures of rapid urbanisation and ageing infrastructure.

5.4 Safety

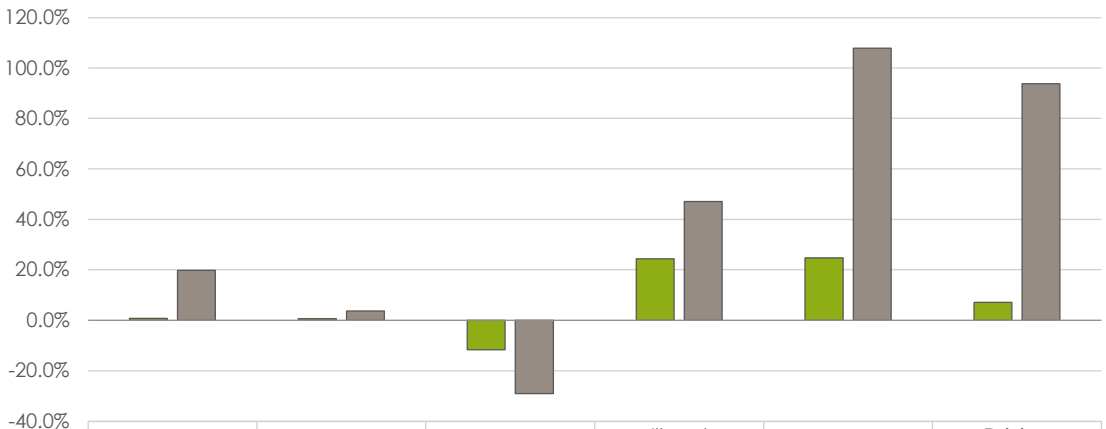
Safety is a fundamental enabler of socio-economic development. Safe communities promote better health, educational attainment and productivity by enabling people to live, learn and work without fear. Conversely, crime and violence undermine investment, disrupt education and employment, increase public expenditure and perpetuate poverty and inequality. Persistent socio-economic challenges, including unemployment, inequality and weakened community cohesion, are closely associated with higher levels of violent crime, underscoring the need to address both its causes and consequences.

5.4.1 General crime trends

Figure 5.29 compares changes in selected crime categories in 2025 relative to both the previous year (2024) and the 2020 baseline, providing insight into short- and longer-term crime trends in the Western Cape. Comparisons with 2020 should be read with caution: the COVID-19 lockdown, including alcohol bans and curfews, depressed recorded crime in that year, which inflates the five-year increases.

Murder increased by 0.7 per cent in 2025 compared with 2024, while the number of murders remained 19.8 per cent higher than in 2020. This indicates that, despite signs of recent stabilisation, violent crime remains persistently elevated and continues to pose a significant safety and socio-economic challenge for the Province.

Figure 5.29 General crime trends in the Western Cape, comparing 2025 to 2024 (year-on-year) and 2020 (5-year comparison)



	Murder	Sexual Offences	Burglary at residential premises	Illegal possession of firearms and ammunition	Drug-related crime	Driving under the influence of alcohol or drugs
2025 (Year-on-Year Growth)	0.7%	0.6%	-11.7%	24.3%	24.8%	7.1%
5-year comparison	19.8%	3.7%	-29.0%	47.1%	107.8%	93.8%

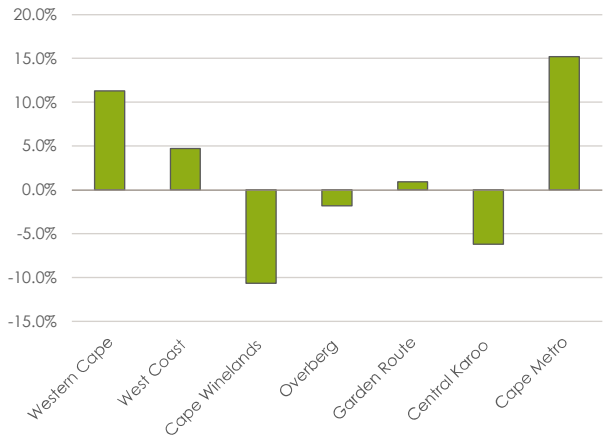
Source: Quantec, Provincial Treasury (own calculations)

In contrast, burglary at residential premises declined by 11.7 per cent year-on-year and by 29.0 per cent over the five-year period, reflecting sustained progress in reducing property-related crime. Crime categories that are largely identified through proactive policing recorded substantial increases over the five-year period. Illegal possession of firearms and ammunition increased by 24.3 per cent in 2025 compared with 2024 and by 47.1 per cent compared with 2020. Drug-related crime also increased substantially, rising by 24.8 per cent year-on-year and by 107.8 per cent over the five-year period. Driving under the influence of alcohol or drugs increased by 7.1 per cent in 2025 relative to the previous year, and 93.8 per cent compared with 2020.

While these trends may partly reflect higher levels of offending, they are also likely to indicate strengthened intelligence-led policing, expanded enforcement operations and improved detection of offences that are largely dependent on police activity. Collectively, the data point to continued progress in reducing property crime alongside enhanced law enforcement efforts to disrupt illegal firearms, drug markets and impaired driving.

However, the persistently high level of violent crime, particularly murder, underscores the need for sustained violence prevention interventions that complement policing with broader social and economic measures aimed at addressing the underlying drivers of crime.

Figure 5.30 Growth in murder per capita (2021 - 2025) per district, in the Western Cape



Source: Quantec, Provincial Treasury (own calculations)

Between 2021 and 2025, the provincial murder rate per capita increased by 11.3 per cent, rising from 54 to 60 murders per 100 000 population. While this upward trend reflects a deterioration in overall safety outcomes, it masks considerable geographic variation across the Western Cape, highlighting the uneven distribution of violent crime and the need for targeted, place-based interventions.

As illustrated in Figure 5.30, the Cape Metro experienced the largest increase in the murder rate, rising by 15.2 per cent from 64 to 74 murders per 100 000 population. Given that the Metro accounts for the majority of the Province's population and a substantial share of violent crime, this increase largely drove the provincial trend. The West Coast also recorded a notable increase of 4.7 per cent, while the Garden Route District remained relatively stable, with a marginal increase of 0.9 per cent.

In contrast, the Cape Winelands recorded the largest decline in the murder rate, decreasing by 10.7 per cent over the period. Smaller reductions were observed in the Central Karoo (-6.2 per cent) and Overberg (-1.8 per cent). These contrasting trends underscore that changes in violent crime are not uniform across the Province and reinforce the importance of district-specific prevention strategies that respond to local crime dynamics, socio-economic conditions and policing priorities.

5.4.2 LEAP Deployment

Recognising that effective law enforcement remains an essential component of reducing violent crime, the Western Cape Government continues to prioritise targeted policing interventions alongside its broader violence prevention agenda. Within the Provincial Strategic Plan (PSP) 2025 - 2030, Effective and Responsive Law Enforcement is identified as one of the three strategic focus areas of the Safety Portfolio, supporting the Province's vision of building safer, more resilient communities that enable economic growth and improved quality of life.

The Law Enforcement Advancement Plan (LEAP) remains a flagship provincial safety initiative, implemented jointly by the Western Cape Government and the City of Cape Town. It deploys trained law enforcement officers to high-crime areas using intelligence- and evidence-led methods to increase visibility, improve response times and disrupt violent crime. The 2026/27 Annual Performance Plan identifies LEAP as a key component of the Whole-of-Government safety strategy, contributing to reductions in priority crimes in targeted areas and stronger provincial-municipal law enforcement collaboration.

Figure 5.31 compares the average crime ratios in LEAP hotspot areas relative to the rest of the Western Cape over the 21-quarter intervention[3] period (1Q2021 - 1Q2026). The findings indicate that LEAP has been associated with reductions in several serious violent crime categories within targeted hotspot areas.

Attempted murder recorded the largest improvement, with the average crime ratio approximately 1.8 percentage points lower than in the rest of the Province, followed by murder (0.3 percentage points lower). This means 154 fewer murders over the 21-quarter

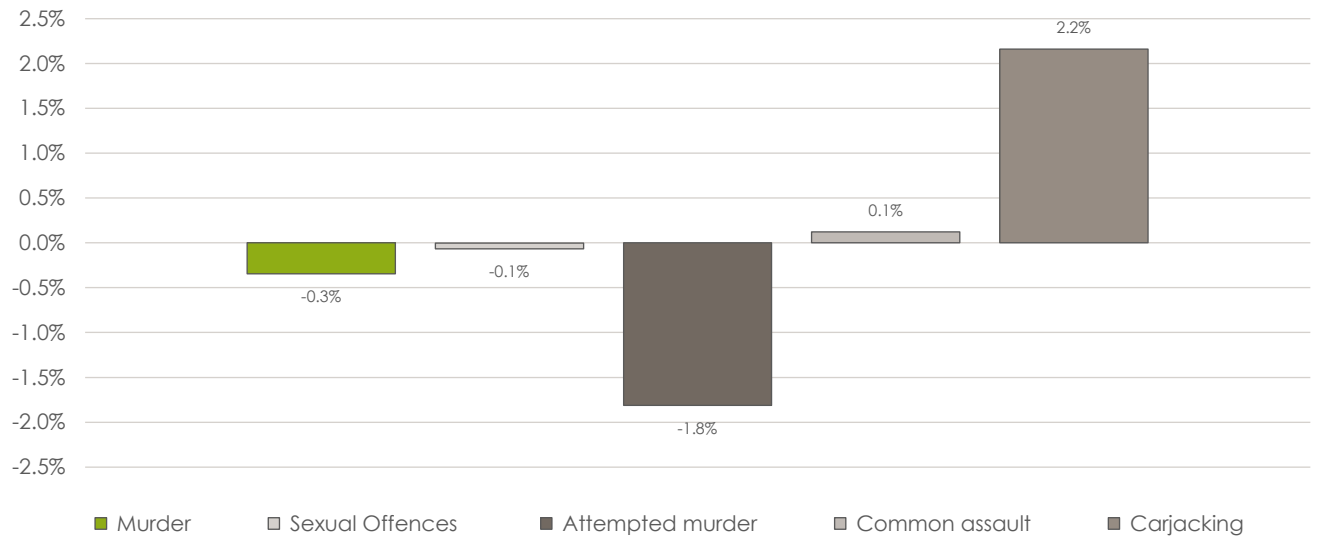
[3] Impact of the 4th quarter of 2021 could not be assessed due to lack of crime statistics for the control period, the 4th quarter of 2015.

period. Sexual offences remained largely unchanged, recording a marginal difference of 0.1 percentage points, suggesting similar trends between LEAP and non-LEAP areas.

In contrast, carjacking recorded the largest relative increase, with the average crime ratio approximately 2.2 percentage points higher in LEAP hotspot areas than in the rest of the Province, while common assault increased marginally by around 0.1 percentage points.

Overall, the results suggest that LEAP has been associated with reductions in high-harm violent crimes, particularly attempted murder and murder, although offences such as carjacking remain more resistant to targeted policing interventions. These findings reinforce the Province's integrated safety approach, which combines focused law enforcement with violence prevention and multi-sectoral interventions to address the underlying drivers of crime.

Figure 5.31 Relative improvement in crime in LEAP hotspot areas compared with non-LEAP areas, control (1Q2016-1Q2020) and intervention (1Q2021 - 1Q2026) Periods



Source: Western Cape Department of Police Oversight and Community Safety, Quantec, Provincial Treasury (own calculations)



Case Study: Using Delft's Tacit Knowledge to Target Violence Prevention

Traditional crime statistics show where crime has already occurred. However, they often reveal little about the local conditions that allow violence to emerge. In Delft, an innovative pilot demonstrates how community tacit knowledge, the lived experience of residents, Neighbourhood Watch (NHW) members and local safety structures, can complement official crime data to identify the underlying drivers of violence before incidents occur.

The Delft survey combined tacit knowledge from 540 streets, measuring 60 community-level indicators across four risk domains, with 2 622 geo-coded EMS ambulance call-outs (2024 - 2026). The objective was not simply to map crime, but to understand why violence concentrates in particular places, enabling government and communities to implement preventative interventions rather than relying solely on reactive policing.

The findings reveal that violence in Delft is closely associated with entrenched social and environmental vulnerabilities. Family and social stress emerged as the most prevalent community risk domain (30 per cent of streets), characterised by widespread unemployment (43.5 per cent), grant dependency (44.3 per cent) and known domestic violence (39.3 per cent). Youth vulnerability followed (28 per cent), with high levels of underage substance use (42.2 per cent of streets), school truancy (39.6 per cent) and concerns regarding gang recruitment (39.4 per cent). Substance abuse indicators were also widespread (22 per cent), including visible public intoxication, active shebeens and open drug sales. These findings reinforce the growing evidence that violence is driven by the interaction of economic hardship, social fragmentation and substance harms rather than policing challenges alone.

The survey also highlighted important characteristics of the local violence profile. Almost 61 per cent of ambulance incidents involved young people aged 15 - 34, confirming youth as both the primary victims and the population most vulnerable to recruitment into violent environments. Violence was highly concentrated during evenings and weekends, with midnight emerging as the peak hour for ambulance call-outs and 42 per cent of incidents occurring over weekends. At neighbourhood level, deteriorating infrastructure, including broken streetlights, abandoned buildings and poor stormwater management, was consistently associated with higher levels of violence, illustrating how the physical environment can either protect or increase community risk.

Perhaps the most significant finding is that community intelligence identified risks not yet visible in administrative datasets. The survey identified 58 high-risk streets where residents consistently reported multiple violence risk factors despite no corresponding EMS incidents during the study period, suggesting under-reporting or emerging hotspots rather than an absence of violence. This demonstrates the value of incorporating local knowledge into evidence-based planning, allowing interventions to be implemented before violence escalates.

The Delft pilot illustrates the direction of the Western Cape Government's Provincial Strategic Plan (PSP) 2025 - 2030, which distinguishes between violence reduction, responding to crime through effective law enforcement, and violence prevention, which seeks to address the root causes of violence through long-term, data-driven interventions. The PSP identifies Integrated Violence Prevention as a key safety outcome, focusing on strengthening families, reducing alcohol and substance-related harms, promoting positive youth behaviours, and supporting area-based, whole-of-society responses to community safety.

The Department of Police Oversight and Community Safety is embedding this preventative approach through the Western Cape Safety and Development Programme, which combines community participation, evidence-based planning and locally owned interventions in high-risk areas, including Delft. The programme strengthens partnerships with Neighbourhood Watches, Community Policing Forums, municipalities and civil society to address violence as a complex socio-economic challenge rather than solely a policing issue.



Source: Department of Health and Wellness, Council for Scientific and Industrial Research (CSIR), Department of Police Oversight and Community Safety

5.5 Social services

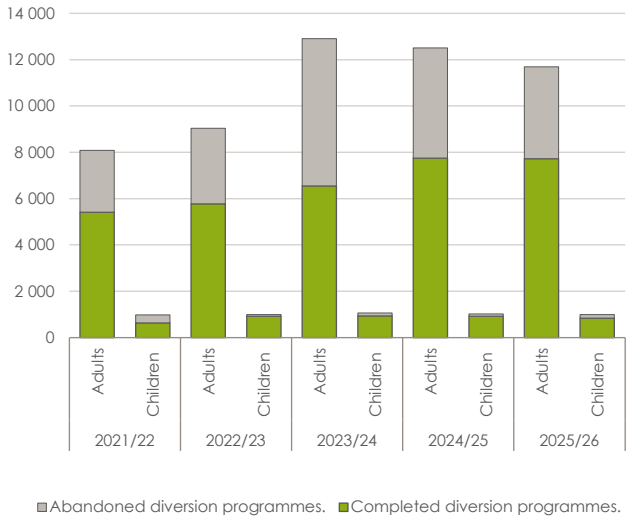
Social services are central to protecting vulnerable people, promoting dignity and strengthening community wellbeing. In the Western Cape, the Department of Social Development works with partners to prevent harm, respond to social vulnerabilities and build resilience. Its services span prevention, protection and recovery, including rehabilitation and reintegration, child protection, and support for older persons to safeguard their safety, dignity and quality of life.

5.5.1 Restorative Services

Restorative services in the Western Cape Department of Social Development address the effects of crime, substance abuse, family disruption and violence. It focuses on rehabilitation, healing and reintegration to restore social functioning and strengthen communities.

Services are delivered through statutory interventions, structured programmes and funded partners, including Child and Youth Care Centres, which provide residential and therapeutic care, and diversion programmes that support rehabilitative alternatives for people in conflict with the law.

Figure 5.32 Number of adults and children referred to and completed diversion programmes 2021/22 to 2025/26



Source: Western Cape Department of Social Development

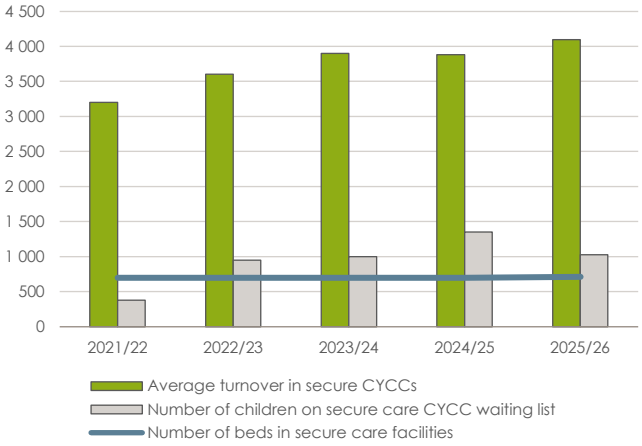
Referrals to the diversion programme increased steadily between 2021/22 and 2023/24, particularly among adults, before declining from 2024/25. This may reflect changes in crime trends and offence profiles, stronger prevention and early-intervention measures, changes in prosecutorial or judicial practices, or capacity constraints in the justice and social-development systems.

Child diversion is governed by the Child Justice Act 75 of 2008, while adult diversion falls under National Prosecuting Authority policy and the Criminal Procedure Act. In both cases, diversion referrals depend on prosecutorial discretion, assessments, eligibility criteria and the availability of accredited service providers, which can affect referral volumes over time.

Over the period, the average completion rate for adults (61.9 per cent) was lower than for children (83.7 per cent), while children referred to the diversion programme accounted, on average, for 8.5 per cent of total referrals.

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 5.33 Child and youth care centres (secure facilities) in the Western Cape, 2021/22 to 2025/26



Source: Western Cape Department of Social Development

Between 2021/22 and 2024/25, the number of beds available in secure care facilities remained fixed at 701 beds, before increasing to 715 beds in 2025/26. The average turnover in secure Child and Youth Care Centres (CYCCs) has steadily increased, reaching 4 094 in 2025/26, from approximately 3 200 in 2021/22.

This upward trend in turnover is generally reflective of increased throughput and utilisation of secure care facilities, and may signal growing pressure on secure care services to accommodate higher caseload movement over time.

The number of children on the secure-care CYCC waiting list increased 3.6-fold between 2021/22 and 2024/25, highlighting growing pressure on capacity and placement systems. However, the waiting list declined by 24.1 per cent in 2025/26, possibly reflecting improved placement processes, greater facility throughput or efforts to reduce backlogs.

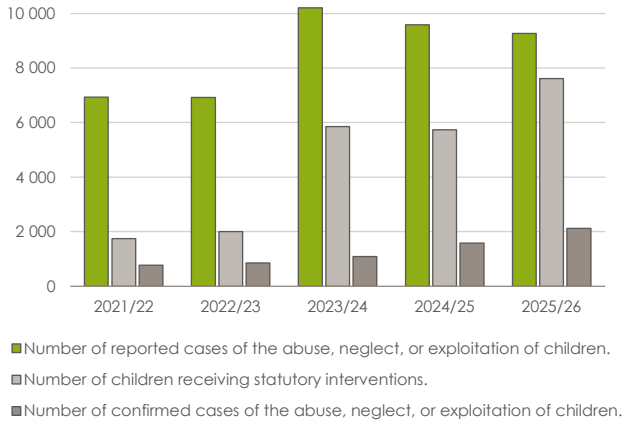
5.5.2 Child Protection Services

Protecting children from abuse, neglect, exploitation and violence is essential for social cohesion and long-term development. Harm experienced in childhood can undermine health, education, mental wellbeing and future economic prospects. Effective child-protection systems safeguard children's rights, reduce cycles of vulnerability and strengthen families and communities.

In the Western Cape, poverty, substance abuse, family instability and community violence increase risks to children. Addressing these challenges requires coordinated prevention, early-intervention, statutory protection and rehabilitation services. As demand and case complexity grow, early identification, effective responses and family- and community-based care remain essential to improving outcomes for vulnerable children.

In Figure 5.34, the data highlights the growing demand for statutory child protection services delivered by the DSD from 2021/22 to 2025/26. The number of reported cases of child abuse, neglect, or exploitation increased steadily over time, peaking at 10 207 cases in 2023/24 (47.4 per cent increase from 2021/22), before a slight decline in 2024/25 and 2025/26.

Figure 5.34 Child protection services in the Western Cape, 2021/22 to 2025/26



Source: Western Cape Department of Social Development

While confirmed cases remained substantially lower overall, they increased steadily from 11.1 per cent of reported cases in 2021/22 to 22.9 per cent in 2025/26, suggesting improvements in detection and investigative capacity. The number of children receiving statutory interventions also increased significantly, reaching four times the level recorded in 2021/22. [4]This jump largely reflects improved recording following the full implementation of the Social Work Integrated Management System (SWIMS) in 2025/26, rather than a four-fold rise in actual interventions.

The rise in confirmed cases, together with better recording of interventions, suggests a more responsive child protection system. However, continued investment in early detection, community-based prevention programmes, psychosocial support services, and workforce capacity remains critical to effectively manage complex cases and mitigate long-term harm to vulnerable children.

5.5.3 Gender-Based Violence: Spatial Patterns and Service Delivery Response

Gender-based violence (GBV) remains a major social challenge in the Western Cape, affecting wellbeing, safety, social cohesion and economic participation, while placing pressure on health, social-development, justice and policing services.

To support targeted, evidence-based responses, the Western Cape Department of Social Development has developed a geo-mapping initiative using Victim Empowerment Programme data to identify GBV prevalence and service-use patterns. Approximately 70 332 client records were spatially referenced across the Province between 2024/25 and 2025/26.

The data (see Figure 5.35) shows a marked concentration of GBV incident rates in specific service delivery areas. Oudtshoorn recorded the highest rate, at 1 279 cases per 100 000 population, substantially above Mitchells Plain which stood at 971 and Kannaland at 837. This indicates that GBV risk is not confined to the Cape Town metropolitan area, with Oudtshoorn and Kannaland among the highest-rate areas.

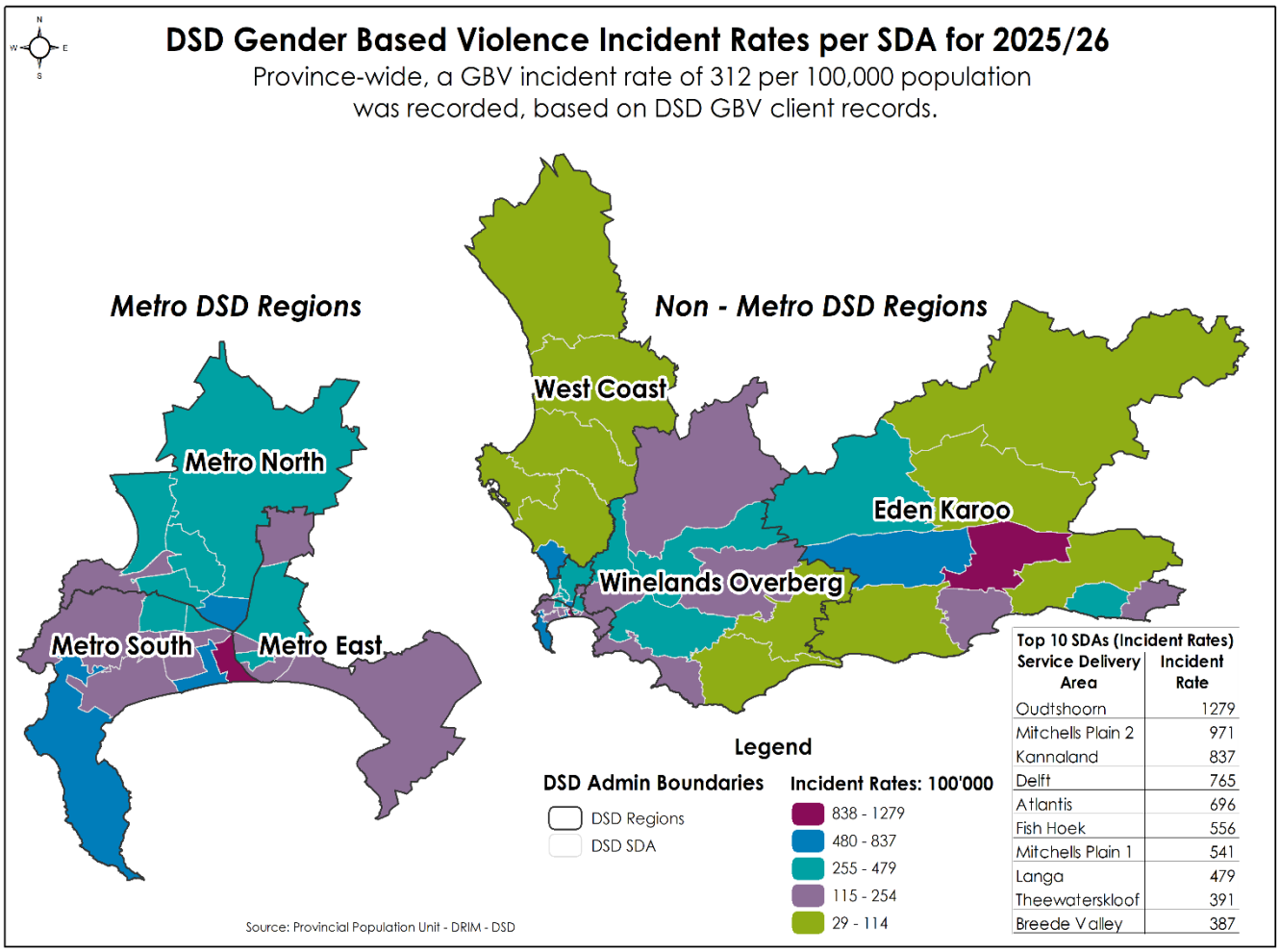
Several high-incidence areas, including Mitchells Plain, Delft, Atlantis and Langa, are located in the metro, reinforcing the need for targeted prevention, victim-support and case-management services in these communities. The range between Oudtshoorn's 1 279 cases per 100 000 population and Breede Valley's 387 illustrates substantial geographic variation, supporting the use of spatial data to prioritise resources according to



[4] A mobile and desktop-friendly digital application developed by the Western Cape Department of Social Development (DSD) to streamline case management.

population-adjusted need rather than case volumes alone.

Figure 5.35 Highest GBV incident rates (per 100 000 people) service delivery areas, 2025/26



Source: Western Cape Department of Social Development

Note: DSD Regions are administrative areas established by the Department of Social Development for the planning, coordination, management and reporting of social services. A DSD Region consists of multiple Service Delivery Areas (SDAs). SDAs are local operational areas where social development programmes are implemented, and services are delivered through departmental service delivery teams.

5.5.4 Older Persons

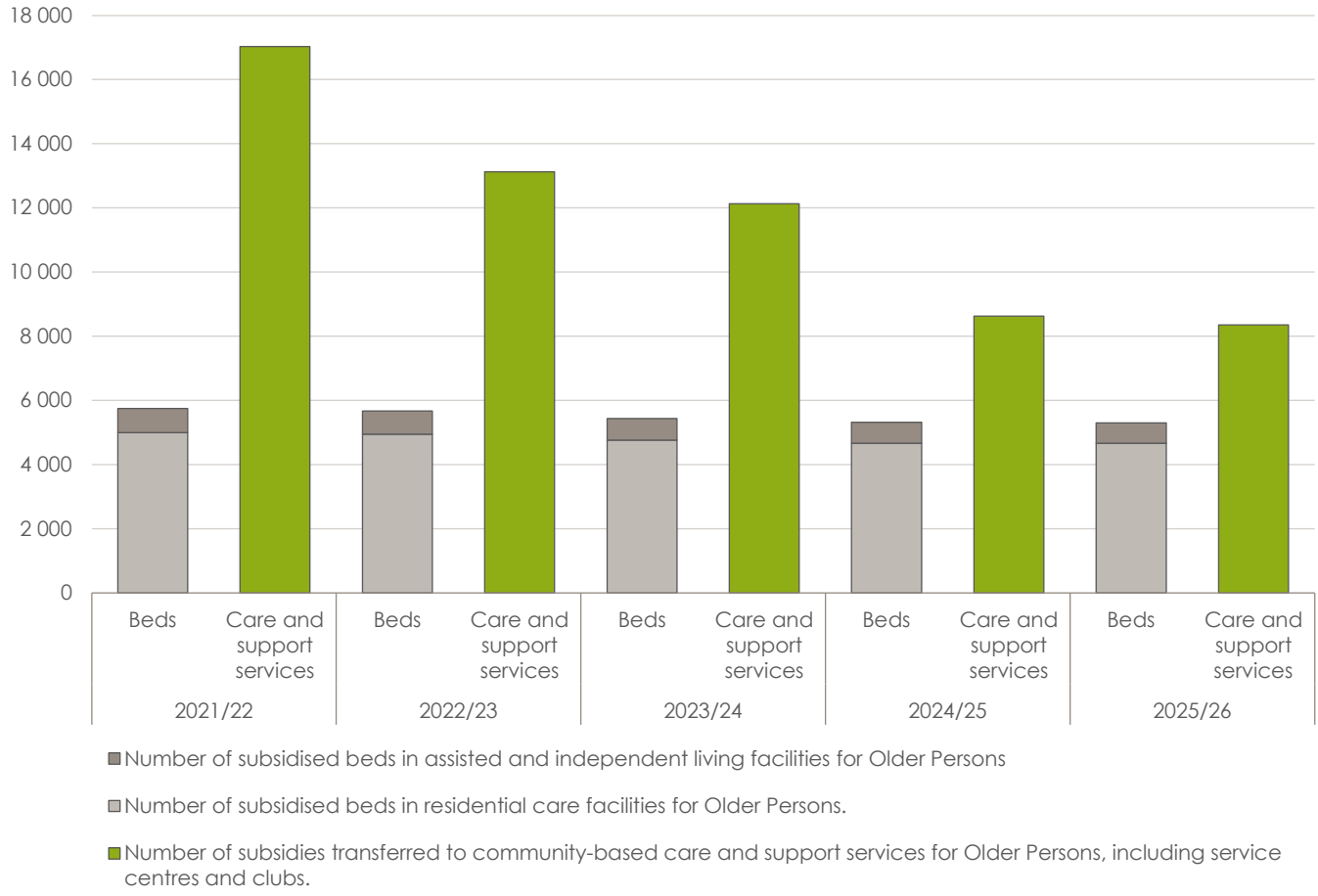
Population ageing is increasingly shaping the Western Cape's social and fiscal outlook. Longer life expectancy, declining fertility and improved healthcare are increasing the share of older persons in the population, raising demand for health, social-protection, care and support services. Ensuring that older persons can age with dignity, independence and security is therefore an important social-development priority.

Older persons also provide care, social support and financial stability within many households, particularly in vulnerable communities. However, longer lives and changing family structures are increasing the need for formal support, protection and age-friendly communities. This requires integrated interventions that promote active ageing, protect the rights of older persons and strengthen community-based care.

The Department of Social Development safeguards the rights and dignity of older persons through abuse investigations, the Older Persons Abuse Register, and assessments for admission to and review of residential facilities. In 2025/26, the Department conducted 359 abuse investigations or 2.6 times the 137 recorded in 2021/22. Improved reporting through the Social Work Integrated Management System (SWIMS) has contributed to this increase. Registration of residential and community-based care facilities remains important to ensure compliance with safety standards and protect vulnerable older persons.

Fiscal pressures have, however, constrained support services. Subsidies to community-based care and support services, including service centres and clubs, declined by 51 per cent to 8 349 in 2025/26. Subsidised beds for older persons also decreased by 7.8 per cent to 5 297 beds, reflecting the need to balance limited resources across competing service-delivery priorities, (see Figure 5.36).

Figure 5.36 Services to older persons in the Western Cape, 2021/22 to 2025/26



Source: Western Cape Department of Social Development

5.6 Conclusion

The analysis presented in this chapter demonstrates that the Western Cape continues to perform strongly across many socio-economic indicators, reflecting continued investment in human development and public service delivery. Improvements in learner retention, foundational learning and National Senior Certificate outcomes, continued progress in key health indicators, expanding community-based healthcare, improved access to municipal services, and targeted interventions to strengthen community safety all demonstrate the Province's commitment to improving residents' quality of life. At the same time, declining childhood immunisation coverage, falling health-worker ratios per 100 000 population and a rising murder rate show where outcomes are deteriorating.

These achievements, however, are occurring within an environment of significant and growing pressure. Rapid population growth and continued in-migration are increasing demand for schools, healthcare services, housing, municipal infrastructure and social support at a pace that exceeds the growth in available public resources. These pressures are evident in rising learner-teacher ratios, increasing housing demand, pressure on the health workforce and growing demand for social services, highlighting the challenge of sustaining service quality within a constrained fiscal environment.

Looking ahead, the Province's ability to maintain and improve socio-economic outcomes will depend increasingly on directing limited resources towards interventions that deliver the greatest long-term impact.

Continued collaboration across government, municipalities, communities and the private sector will be essential to ensure that public investment translates into improved wellbeing, greater resilience and inclusive economic growth for all residents of the Western Cape.

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