



CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

EPIC

Economic Performance Indicators for Cape Town

2017: Quarter 4 (October - December)

Introduction

This is the 19th edition of the EPIC publication, which presents and analyses economic (and related) trends in Cape Town on a quarterly basis. This edition focuses on the fourth quarter of 2017, covering the period 1 October to 31 December 2017. As a result of the current water shortages the city is experiencing and the consequent need to re-prioritise resources, this edition is an abbreviated version of previous editions. It nevertheless covers the key economic indicators and presents up to date information and analyses as well as a section on water.

Rationale for a quarterly economic publication

Accurate and up-to-date economic information is critical in providing direction for economic development and related strategies. It is essential to understand the nature, composition and performance of the local economy to know what must be done. While there is a wealth of economic statistics and information available for Cape Town, it often exists in discrete, isolated parcels customised to serving a specific purpose at a given time. Furthermore, in most cases, relevant economic information is only presented on an annual basis. This period is sometimes simply too long to inform immediate policy decisions or to get a proper grasp of the dynamic nature of economic trends. These factors underpin the need for a consolidated, quarterly economic performance publication for the City of Cape Town.

Acknowledgements

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CAPE TOWN OVERVIEW – 2017 Q4



Of South Africa's R3 157 231 million gross domestic product (GDP) generated in the fourth quarter of 2017, the **Western Cape** accounted for **R437 647 million**. Whilst GDP data is not available at the city-level on a quarterly basis, annually, **Cape Town typically** contributes around **70%** of the provincial GDP.^a

During the fourth quarter of 2017, the **Western Cape** had a quarter-on-quarter **GDP growth rate** of **3,9%**, compared to a **national** growth rate of **3,1%**.^b

In 2016, **South Africa** had a **GDP per capita**, of **R77 987**, while the **Western Cape's** GDP per capita was **R92 619** and **Cape Town's** was **R100 402**.^c



At the end of the fourth quarter of 2017, **South Africa** had a lower **rate of inflation** of **4,7%**, than the **Western Cape** which had a rate of **5,3%**.^d



South Africa has **56 521 948** people: **6 510 312** (11,4%) live in the **Western Cape** and, of those, **4 174 510** are resident in **Cape Town**.^g



In 2016 **South Africa** had a **Gini coefficient** of **0,63**, while **Cape Town** had a slightly lower value of **0,62**.^h

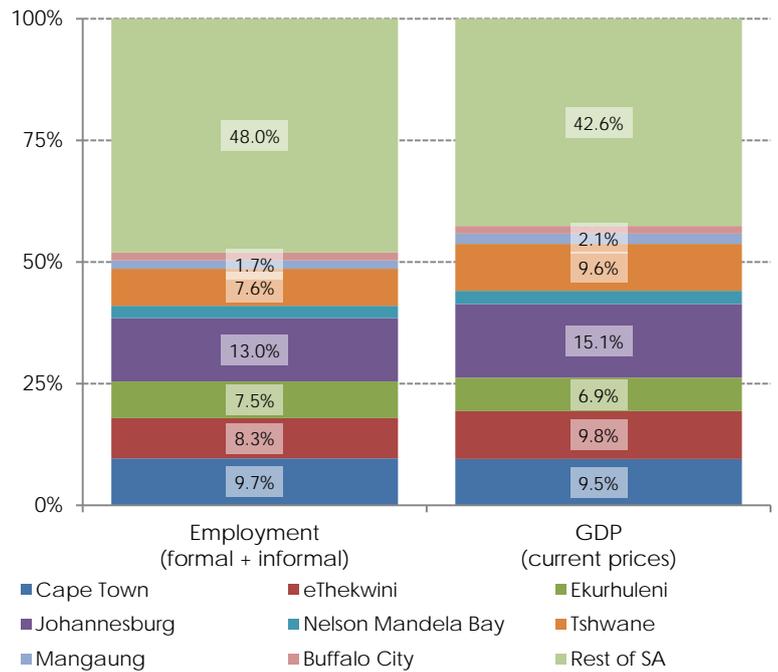


In the fourth quarter of 2017, tourists and residents made **8 356 158** visits to **Cape Town's six major attractions**.ⁱ

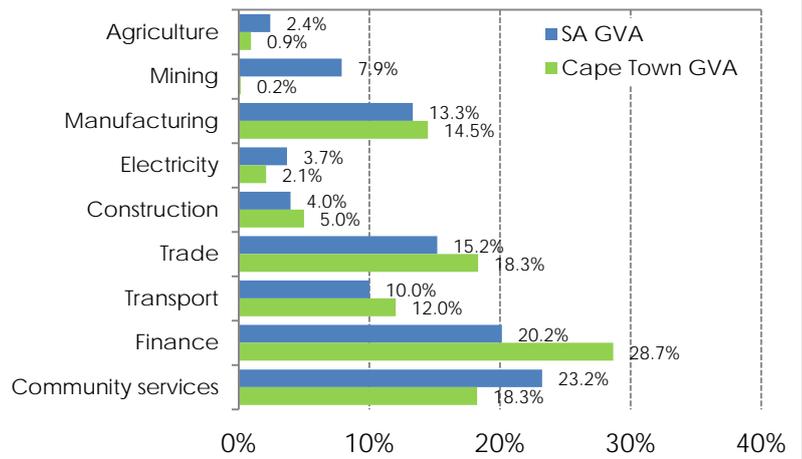


Of the **9 960 415** passenger movements through **South Africa's 3 international airports**^j during 2017 Q4, **2 930 113** were through **Cape Town International Airport**.^k

Cape Town gross geographic product & employment contributions to SA, 2016^e



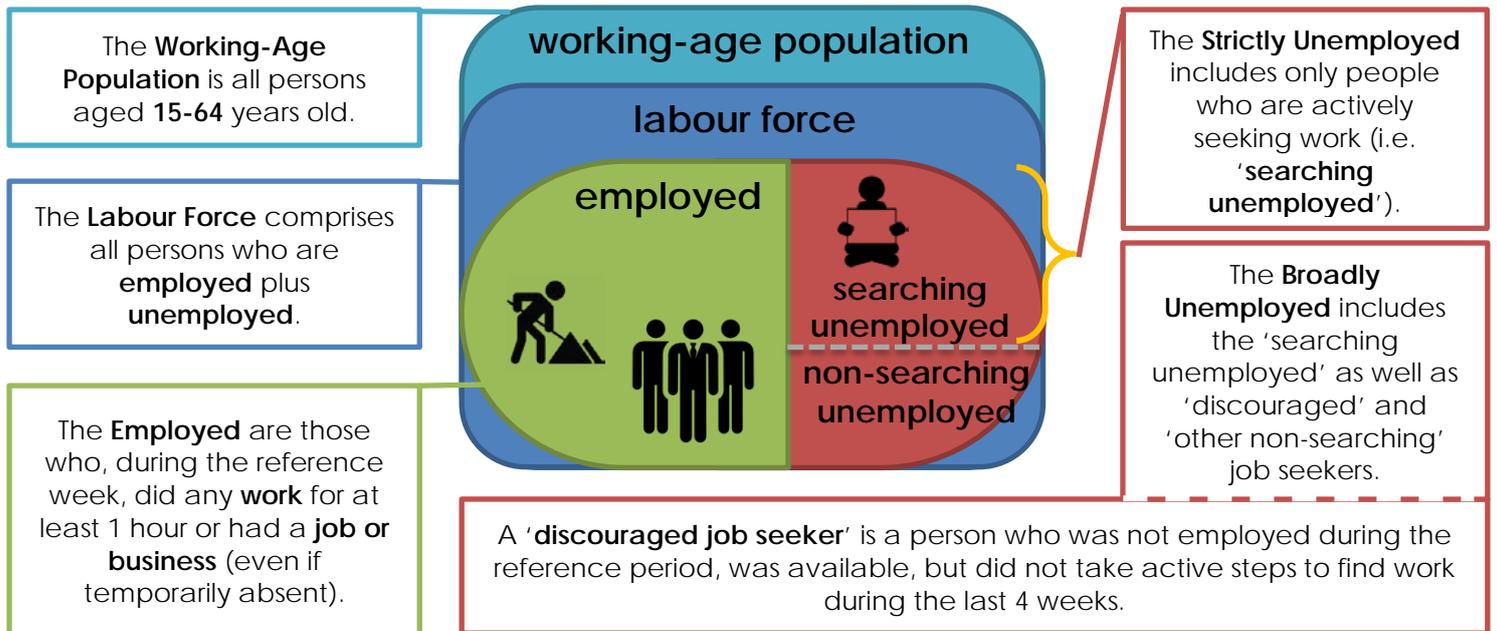
Cape Town gross value added (GVA) versus national GVA, 2016^f



a,b. At constant 2010 prices. Source: Quantec, 2018.
 c,f. At current prices. Source: IHS Markit, 2018.
 d, g. Source: Statistics South Africa (StatsSA), 2018.
 e. GGP at current prices. Source: IHS Markit, 2018.

h. Source: IHS Markit, 2018.
 i. Source: Cape Town Tourism and Wesgro, 2018.
 j. Cape Town, OR Tambo and King Shaka.
 k. Source: ACSA, 2018.

LABOUR OVERVIEW – 2017 Q4



		Cape Town					South Africa				
		Recorded	Q-on-Q		Y-on-Y		Recorded	Q-on-Q		Y-on-Y	
Number (thousands, '000's)	Working-age population	2 871	↑	14	↑	56	37 525	↑	152	↑	621
	Labour Force	2 008	↓	-4	↑	59	22 051	↓	-351	↑	202
	Employed: total	1 571	↑	26	↑	89	16 171	↓	-21	↑	102
	Employed: Formal sector	1 286	↑	13	↑	79	11 244	↓	-135	↑	88
	Employed: Informal sector	170	↓	-6	↑	5	2 808	↑	119	↑	113
	Unemployed	436	↓	-30	↓	-30	5 880	↓	-330	↑	99
	Not economically active	863	↑	18	↓	-2	15 474	↑	503	↑	419
	Discouraged work-seekers	17	↓	-2	↑	7	2 538	↑	103	↑	246
	Other	846	↑	20	↓	-9	12 936	↑	400	↑	173
Rate (percentage, %)	Official/strict unemployment	21,7	↓	-1,5	↓	-2,2	26,7	↓	-1,0	↑	0,2
	Broad/expanded Unemployment	23,5	↓	-1,5	↓	-1,8	36,3	↓	-0,5	↑	0,7
	Absorption	54,7	↑	0,6	↑	2,0	43,1	↓	-0,2	↓	-0,4
	Labour Force Participation	69,9	↓	-0,5	↑	0,7	58,8	↓	-1,1	↓	-0,4
↑ increase		↓ decrease		improvement		deterioration		– No change (due to rounding)			

Source: Statistics South Africa, Quarterly Labour Force Survey, 2017 Q4, February 2018.

Note:

- A 'quarter-on-quarter' comparison is between the current quarter and the previous quarter (for example: Quarter 3, 2017 versus Quarter 4, 2017).
- A 'year-on-year' comparison is between the same quarters in two consecutive and different years (for example: Quarter 4, 2017 versus Quarter 4, 2016).

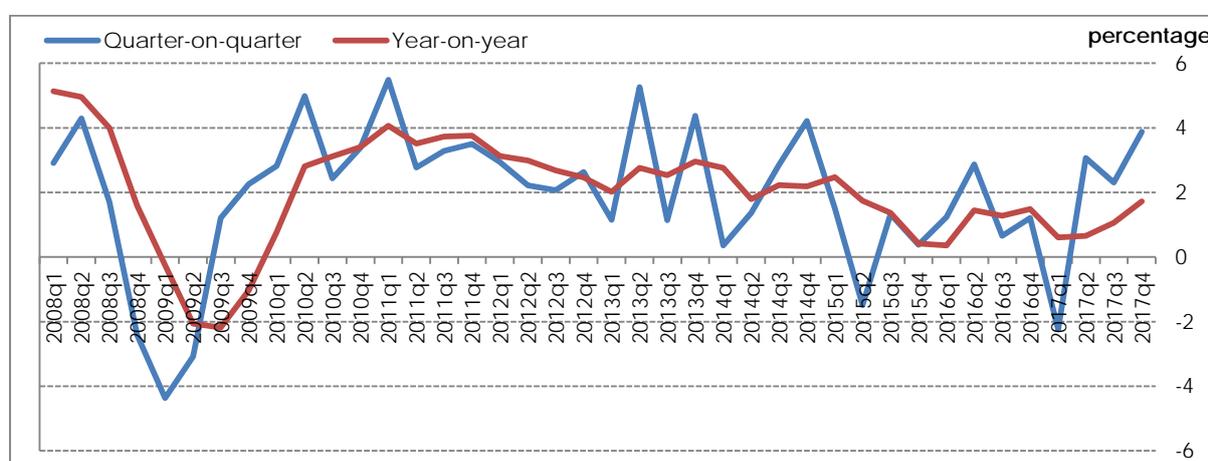
1. Economic Growth

a. Quarter-on-quarter GDP-R growth rate

The Western Cape economy contributes around 14% of national gross domestic product (GDP) (IHS Markit, 2018). The province's economic performance is strongly influenced by national economic conditions and, in line with the quarter-on-quarter growth trend at the national level in the fourth quarter, growth in the Western Cape economy increased by 1,6 percentage points from the previous quarter¹ to 3,9% in the fourth quarter of 2017. As with growth at a national level, growth in the fourth quarter was driven by the agricultural, manufacturing, trade and finance sectors which saw quarter-on-quarter growth rates of 32,7%, 4,5%, 4,3% and 2,5%, respectively. The agricultural sector's strong growth must be viewed in the context of coming on the back of two previous years of contractions in the sector and should not be seen as being indicative of a booming sector. As figure 1 shows, on a year-on-year basis, the province's economy continued its upward trend and saw an improvement in its growth compared to the third quarter of 2017, increasing from 1,1% to 1,7%.

While GDP-R statistics for Cape Town are not available on a quarterly basis, the performance of the metropolitan municipality's economy can be expected to typically mirror that of the provincial economy. This is because the city contributes around 70% of the provincial economic output (IHS Markit, 2018). On average, in the last 10 years, the variation of the city's GGP growth rate from the provincial rate has been 0,2 percentage points. If this were to hold true for the fourth quarter of 2017, a plausible range for Cape Town's quarter-on-quarter economic growth is between 1,5% and 1,9%.

Figure 1: Real GGP growth for the Western Cape, quarter 1, 2008 to quarter 4, 2017



Source: Quantec, March 2018.

b. Sectoral drivers of economic growth in the Western Cape

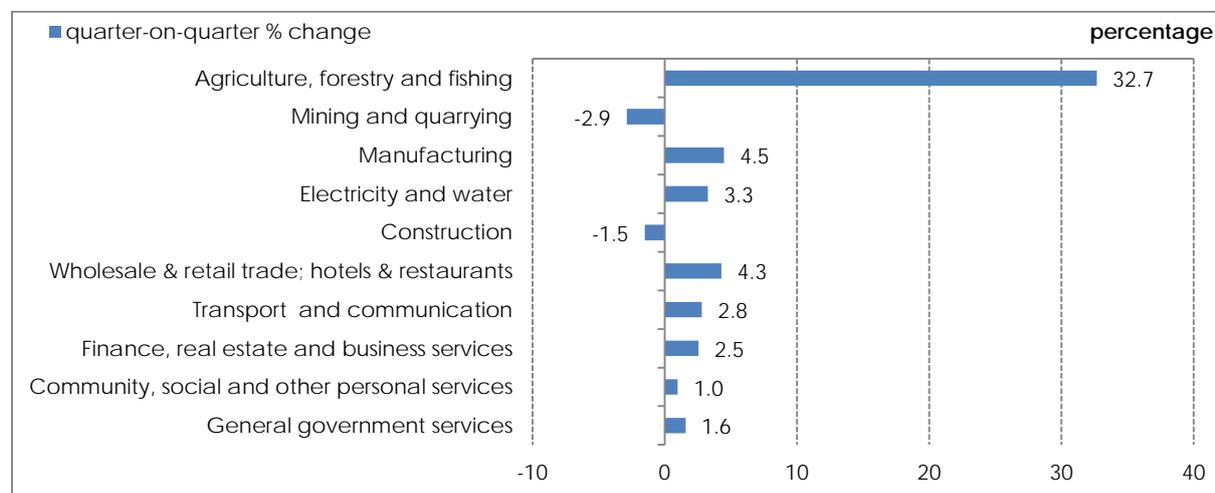
While the Western Cape's economy grew strongly in the fourth quarter of 2017, its sectors reflected mixed performances. The most prominent contributors to the Western Cape's total gross value added (GVA) in the fourth quarter of 2017 were the finance (30,6%), trade (15,9%) and manufacturing (15,0%) sectors (Quantec, 2018). Of these, the finance and trade

¹ Quarterly GDP growth for the third quarter of 2017 has been revised from 1,3% to 2,3% (Quantec, 2018).

sectors were amongst the largest contributors to the province’s quarterly economic growth rate, contributing 0,78 and 0,68 percentage points, respectively. The agricultural sector, despite constituting a relatively small share of the Western Cape’s total GVA (4,6%), was the largest contributor to growth in the fourth quarter, contributing 1,29 percentage points to the total growth rate.

In terms of the quarter-on-quarter growth of these prominent sectors (figure 2), the agricultural sector continued its recovery with a quarterly growth rate of 32,7% in the fourth quarter of 2017², following poor growth levels throughout 2015 and 2016. The manufacturing sector also continued its recovery, increasing a further 0,7 percentage points to grow 4,5% in the fourth quarter of 2017, whilst the trade sector reversed its contraction in the previous quarter (-0,4%), by growing by 4,3% in the fourth quarter. The mining and construction sectors both contracted in the fourth quarter of 2017, by 2,9% and 1,5% respectively, however these were in line with national trends.

Figure 2: Sectoral real GDP-R growth rates in the Western Cape, fourth quarter, 2017



Source: Quantec, March 2018.

Similar sectoral growth rates can be expected for Cape Town, as the city is the major contributor to most economic sectors in the province. In particular, 82% of the Western Cape’s finance and business services, 77% of its transport, 72% of its wholesale and retail trade, 69% of manufacturing, and 62% of its construction sectors can be attributed to the metropolitan area (IHS Markit, 2018). As such, the city is likely to have experienced very similar growth rates to those at a provincial level in these sectors in the fourth quarter of 2017.

In contrast to Cape Town’s contribution to the tertiary sector output of the province, its contribution to the province’s total primary sector GGP is only 18% (IHS Markit, 2018). Thus, it is difficult to make inferences about the performance of the city’s primary sector based on primary sector GGP growth in the Western Cape. However, even if Cape Town’s primary sector (agriculture, in particular) did mirror provincial trends, it is unlikely that this would have had a large impact on the overall growth rate of the city, as the primary sector contributes only 1% to Cape Town’s total GGP. Rather, the performance of the city’s economy in the

² Quarterly GDP growth for the third quarter of 2017 has been revised, including growth of the agricultural sector from 14,7% to 36,9% (Quantec, 2018).

fourth quarter of 2017 would have been driven by the upticks in the finance, trade, transport, and manufacturing sectors that comprise 35%, 16%, 11% and 15% of the city's economy, respectively.

2. Inflation

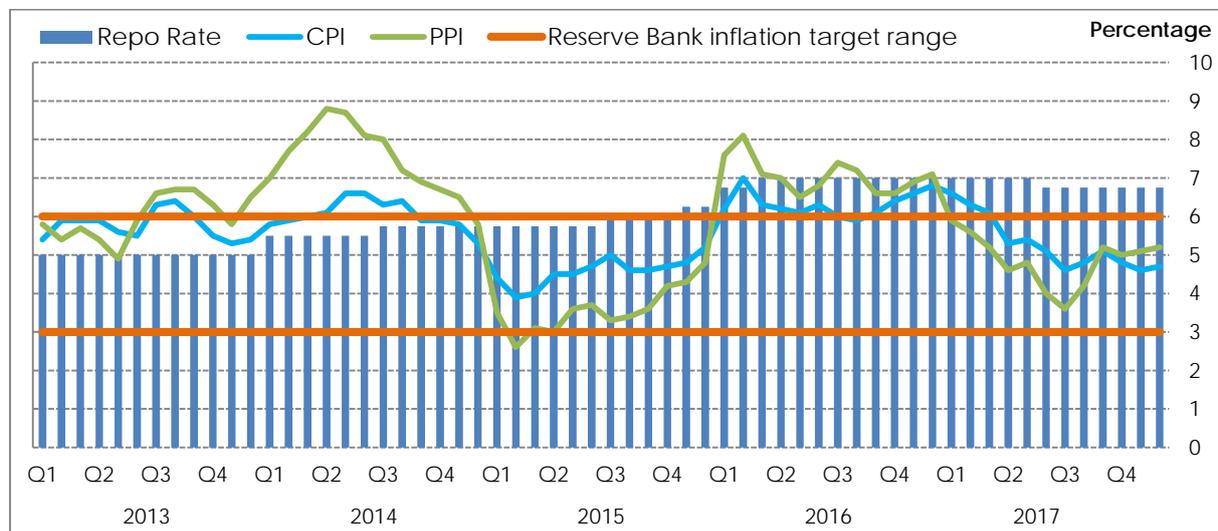
Price fluctuations of goods and services in an economy are measured by the consumer price index (CPI) inflation rate and producer price index (PPI) inflation rate. The CPI measures the change in the cost of living for households and the PPI measures the change in the cost of production.

a. Inflation overview

In the fourth quarter of 2017, the CPI saw a decline in comparison to the third quarter of 2017. As illustrated in figure 3 the CPI in October was 4,8%, slightly decreasing to 4,6% in November and increasing to 4,7% in December 2017. Lower food and fuel inflation were key contributors to the overall decline in CPI, according to the Monetary Policy Committee (MPC) statement of January 2018 (SARB, 2018).

The PPI remained fairly stable throughout the fourth quarter of 2017. Recordings for October were 5%, increasing to 5,1% for November and 5,2% for December; the same recording as at the end of the third quarter of 2017. Similar to the CPI, the PPI remained within the inflation target range for the entire year of 2017. The main contributors to the PPI throughout the fourth quarter of 2017 (in terms of final manufactured products) were the prices of coke, petroleum, chemical, rubber and plastic products.

Figure 3: CPI and PPI trends for South Africa, January 2013 to December 2017



Source: CPI and PPI extracted from Statistics South Africa, 2018, and repurchase rate extracted from SARB, 2018.

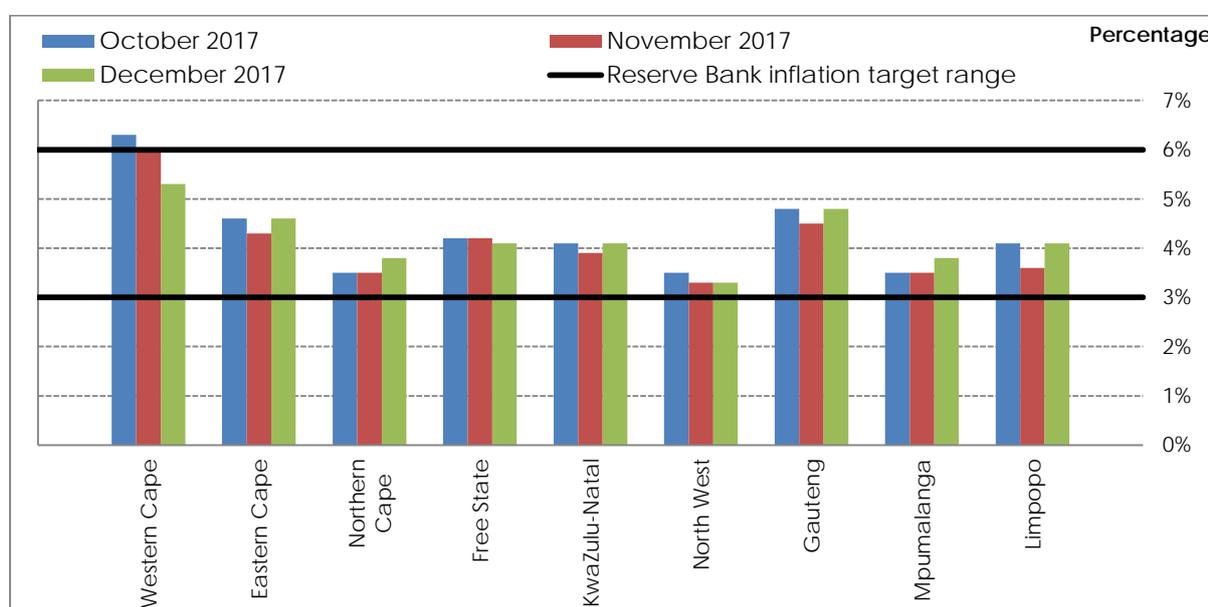
Figure 3 also illustrates changes in the repurchase rate (repo rate). According to the MPC statement in January 2018, inflation remained below the 6% inflation target range for 2017 and the inflation outlook for the upcoming quarters in 2018 had improved. This enabled the MPC to keep the repo rate unchanged at 6,75% in the fourth quarter, as illustrated in figure 3. The MPC plans to continue to closely monitor exchange rate fluctuations, global monetary

developments and credit ratings to inform future monetary policy decision-making (SARB, 2018).

b. Geographical inflation

The Western Cape recorded a lower inflation rate of 5,3% at the end of the fourth quarter, in December 2017, when compared to September 2017 (6,3%). Although within the inflation target range, the provincial inflation rate remained higher than the national rate (4,7%). Figure 4 illustrates inflation rates recorded in the fourth quarter of 2017 across all nine provinces in the country. In comparison to the end of the third quarter of 2017, by the end of the fourth quarter of 2017 most provinces recorded a decline in inflation rates. The Western Cape recorded the highest inflation rate throughout the last quarter of 2017, followed by Gauteng and the Eastern Cape, whilst the North West recorded the lowest inflation rate of 3,3% in December 2017. Severe drought conditions continue to underpin the upward pressure on inflation in the Western Cape.

Figure 4: CPI inflation rate at a provincial level, July to December 2017



Source: Statistics South Africa, December 2017.

Food price inflation in the Western Cape was 6% in December 2017 (decreasing from 6,5% in November 2017), whilst nationally it was 4,3% in December 2017 (decreasing from 4,5% in November 2017). Water price inflation in the Western Cape was 8,8% in December (unchanged from November). This was higher than the 7,7% water price inflation at a national level and, together with the higher food price inflation, is indicative of the inflationary impact of the severe drought currently facing the province. Private transport fuel price inflation in the Western Cape was 14,4% in December 2017 (increasing from 8,8% in November 2017), and only slightly lower nationally at 14,2% (increasing from 7,8% in November 2017); underpinned by a domestic petrol price increase of 71 cents. Electricity price inflation remained at 3,3% in the Western Cape and 2,1% nationally in December 2017.

3. Labour Market

The labour market is the point at which economic production meets human development. As such employment creation and unemployment reduction are top priorities for all spheres

of government. Labour market performance is tracked through a variety of indicators, many of which are reflected on in this section.

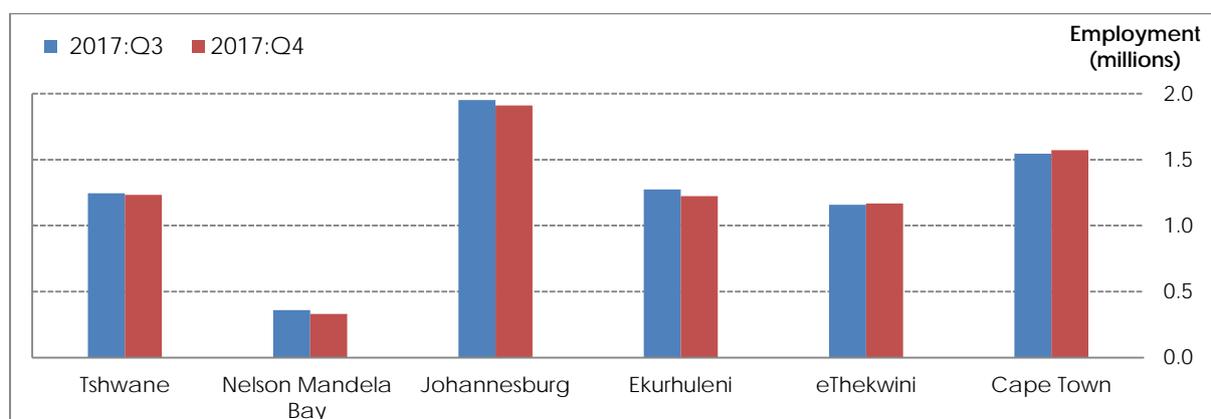
a. Cape Town's labour market performance

Overall in the fourth quarter of 2017, Cape Town's working age population (2,87 million) increased on both a quarter-on-quarter and year-on-year basis. The labour force (2 million) decreased by 4 000 individuals when compared to the third quarter of 2017, although it increased year-on-year. Employment (1,57 million) increased by 26 000 individuals on a quarter-on-quarter level and by 89 000 individuals' year-on-year. This is the sixth consecutive quarter of positive employment growth. Formal employment increased by 13 000 individuals while informal employment declined by 6 000 individuals when compared to the previous quarter. The increases in employment and working age population led to a slight increase in the labour absorption rate to 54,7% compared to 54,1% in the third quarter. The decline in the labour force led to a decrease of 0,5 percentage points in the labour force participation rate (69,9%) compared to the previous quarter.

b. Employment comparison of metros

To measure Cape Town's job creation performance, a comparison with the other metros in the country is helpful. In the fourth quarter of 2017, Cape Town had the second largest number of people employed in the country, with 1,57 million people employed in the city compared to Johannesburg's 1,91 million. This is to be expected as Johannesburg has a significantly larger population.

Figure 5: Employment comparison with other metros, Quarter 3, 2017 vs. Quarter 4, 2017



Source: Statistics South Africa, Quarter Labour Force Survey, 2017 Q4, February 2018.

Turning attention to employment trends in the fourth quarter of 2017, as measured by the difference in employment levels between the third and fourth quarters of 2017, eThekweni and Cape Town were the only metros to experience positive growth on both a quarterly and year-on-year level. The remaining four metros experienced declines, when compared to the previous quarter as well as to the same quarter of 2016. Cape Town experienced the highest quarter-on-quarter increase in employment (26 185 jobs), followed by eThekweni (9 711). Ekurhuleni suffered the highest decrease with 51 406 jobs shed, followed by Johannesburg (-40 815), Nelson Mandela Bay (-27 310) and Tshwane (-12 343). On a year-on-year basis, Nelson Mandela Bay shed jobs at the fastest rate (-9,8%) while employment grew the fastest in Cape Town (6,0%).

c. Unemployment in Cape Town

Cape Town experienced a decrease of 30 235 in the number of unemployed people in the fourth quarter of 2017 compared to the previous quarter, as well as a decrease of 30 215 in the number of people unemployed compared to the corresponding period in the previous year. This resulted in the strict unemployment rate decreasing, on a quarter-on-quarter basis, by 1,5 percentage points to 21,7%. The youth unemployment rate, defined as the strict unemployment rate for individuals aged 15 to 24, in Cape Town was estimated at 47,4% in the fourth quarter of 2017, having increased slightly from 47,3% in the previous quarter, and having decreased from 48% in the fourth quarter of 2016. While this is below the national rate of 51,1%, it is nonetheless markedly high by developing-country standards and poses a key challenge to economic policymakers in the city.

Whilst traditional comparisons of Cape Town's unemployment trends with that of South Africa as a whole are important, it is perhaps more revealing to compare these trends to other metros that have similar labour market dynamics. Cape Town and eThekweni were the only metros to experience decreases in both strict and expanded unemployment rates in the fourth quarter. Contrastingly, Ekurhuleni and Nelson Mandela Bay experienced increases in the strict and expanded unemployment rates. Nelson Mandela Bay had the highest strict unemployment and expanded unemployment rates (36,9% and 37%, respectively), while Cape Town had the lowest strict unemployment and expanded unemployment rates (21,7% and 23,5%, respectively). Notably, table 1 indicates the large differences in the relationship between strict and expanded unemployment rates in each of the six metros, with Nelson Mandela Bay recording a 0,11 percentage points difference between the two rates of unemployment, whereas eThekweni recorded a 6,2 percentage points difference.

Table 1: Official (strict) versus expanded (broad) unemployment rates

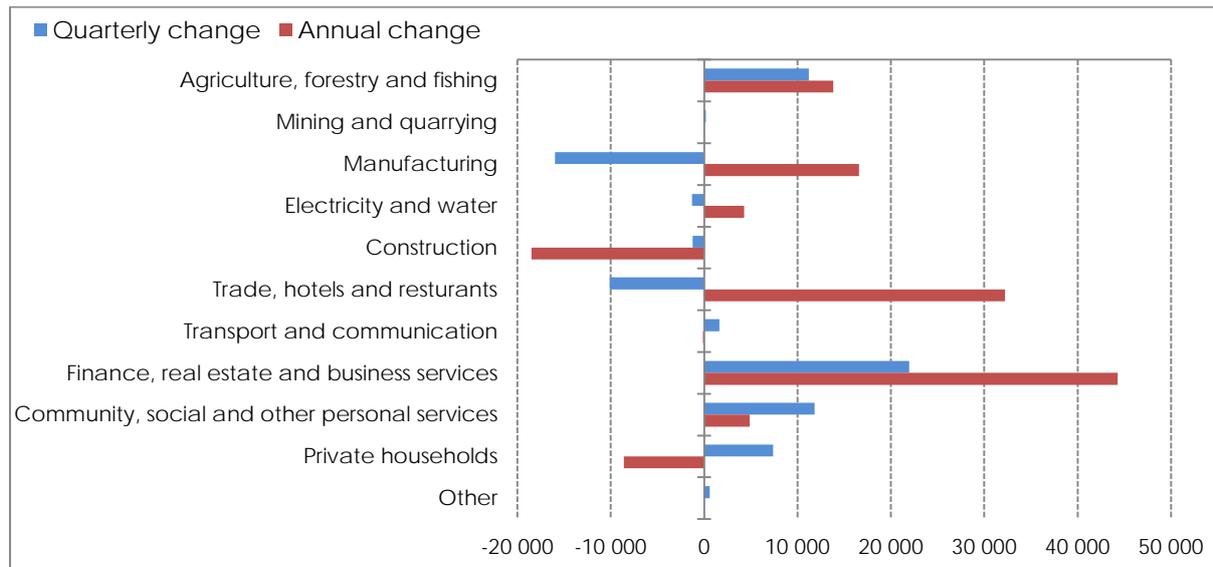
Metro	Official (strict)			Expanded (broad)		
	2017: Q4	2017: Q3	2016: Q4	2017: Q4	2017: Q3	2016: Q4
Cape Town	21,7	23,2	23,9	23,5	25,0	25,3
eThekweni	21,9	23,3	22,0	28,1	30,5	28,0
Ekurhuleni	33,6	32,2	30,6	36,7	35,0	34,4
Johannesburg	28,2	29,6	27,8	32,3	31,2	30,2
Nelson Mandela Bay	36,9	36,0	29,6	37,0	36,2	30,2
Tshwane	26,9	27,9	25,7	32,0	31,6	29,1

Source: Statistics South Africa, Quarterly Labour Force Survey, 2017 Q4, February 2018.

d. Sector employment trends for Cape Town

Figure 6 presents the change in the level of employment by sector within Cape Town in the fourth quarter of 2017. Overall, seven sectors made a positive contribution to employment creation when compared to the previous quarter. The sectors that added significantly to job creation in Cape Town in the fourth quarter of 2017 were finance, real estate and business services (21 976), community, social and other personal services (11 824), agriculture, forestry and fishing (11 204), as well as private households (7 390). Transport and communication as well as mining and quarrying added marginally to employment. The key sectors in Cape Town that recorded the largest job losses for this quarter were manufacturing (-15 966) and trade, hotels and restaurants (-10 115). Minor employment losses were experienced within the electricity and water, as well as construction sectors.

Figure 6: Quarterly and annual change in employment per sector for Cape Town, quarter 4, 2017



Source: Statistics South Africa, Quarterly Labour Force Survey, 2017Q4, February 2018.

Similar to Cape Town’s quarterly performance, on a year-on-year basis seven sectors added to employment growth whereas four sectors recorded employment losses when compared to the fourth quarter of 2016.

4. Infrastructure

Cape Town is often promoted as the gateway to South Africa, and to Africa more generally. This status is sustained by the city’s well-developed transportation infrastructure, with Cape Town being home to South Africa’s second-busiest airport as well as (historically) its’ second-busiest container port. In light of the current drought which is affecting the city and the Western Cape more broadly, this chapter also includes an insert on the state and nature of water consumption in Cape Town.

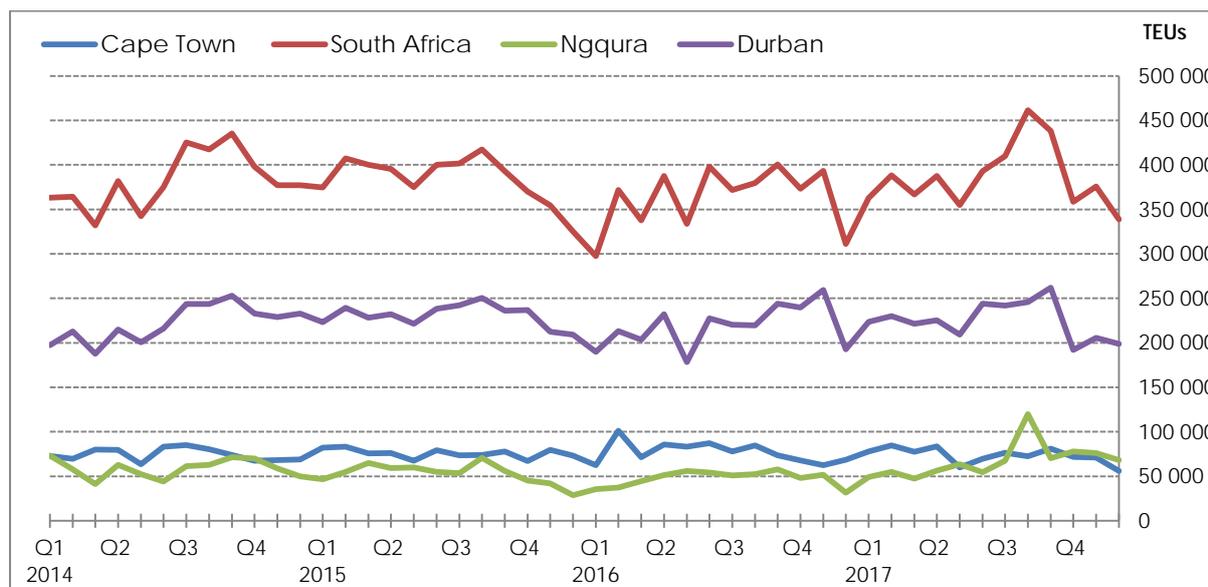
a. Cape Town container handling

Container traffic is very seasonal, as figure 7 indicates, thus it is best to compare total containers handled over the period of a year. The number of containers handled at the Port of Cape Town remained fairly on par with that of the fourth quarter of 2016 at 199 006 relative to 199 052 – a decrease of only 0,02%. In the fourth quarter of 2017 the Port of Durban³ was the largest container handling port in the country (56%), followed by the Port of Ngqura⁴ (21%) and the Port of Cape Town (19%). This was the second (and consecutive) time that Ngqura has handled more containers in a quarter than Cape Town. The Port of Ngqura had higher container handling numbers for all three months of the fourth quarter of 2017, with a monthly average of 12,45% higher than that of Cape Town. Capacity constraints experienced at the Port of Cape Town could result in the Port of Ngqura permanently overtaking it as the country’s second-largest container-handling port. That said, Transnet has approved plans for a multibillion-rand upgrade to Cape Town’s container-handling facilities, which should alleviate congestion problems in the medium term.

³ The Port of Durban is located in eThekweni metropolitan municipality.

⁴ The Port of Ngqura is located in Nelson Mandela Bay metropolitan municipality.

Figure 7: Total containers handled (TEUs)⁵, January 2014 to December 2017



Source: Transnet National Ports Authority, February 2018.

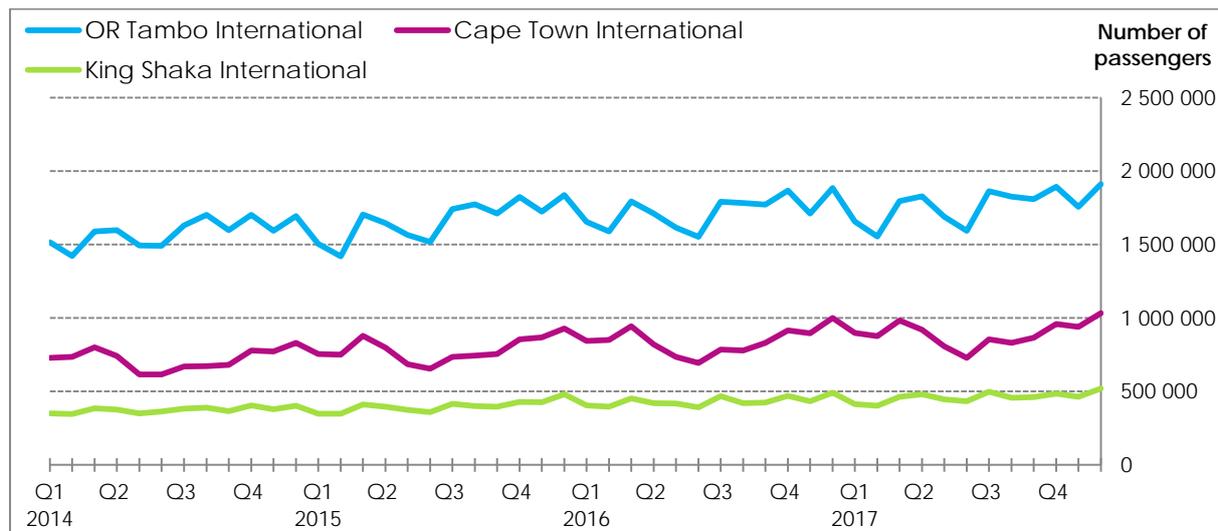
While maintaining its top position amongst the key container handling ports in South Africa, the Port of Durban recorded a notable decline in container handling in the fourth quarter of 2017, down 13,81% (-95 577) compared to the same period in 2016. As the largest container handling port, this decline would normally have a strong negative impact on the national figure for container handling at South African ports. This was, however, countered by the significant increase in container handling at the Port of Ngqura, which recorded a year-on-year increase of 69,03% (90 810) in the fourth quarter of 2017. The decrease in container handling at the Port of Durban can be attributed to a severe storm along the coast of KwaZulu-Natal in October 2017 which resulted in the closure of the port for several weeks (Evans, 2017; Africa News Agency, 2017). The resultant effect was that at the national scale, total container handling declined minimally by only 0,48%, year-on-year (-5 184).

b. Cape Town airport statistics

Cape Town International Airport is South Africa's second-busiest airport, after OR Tambo International Airport in Johannesburg. It recorded 2,93 million total passenger movements in the fourth quarter of 2017 compared to 5,56 million passenger movements at OR Tambo International and 1,47 million at King Shaka International airports during the same period. Total passenger movements at Cape Town International in the fourth quarter of 2017 was 4,24% higher compared to the fourth quarter of 2016, when 2,81 million passenger movements were recorded. Following its trend in the third quarter of 2017, OR Tambo International observed a lower year-on-year growth rate (1,8%) in passenger movements. King Shaka International Airport in contrast saw a year-on-year increase of 5,2% in passenger arrivals and for the first time, surpassed the 500 000 passenger movement mark in December 2017.

⁵ A TEU (20-foot equivalent units) is an inexact unit of cargo capacity, based on the volume of a 20-foot long (6,1m) container. There is a lack of standardisation with regard to height, ranging between 4 feet 3 inches (1,30m) and 9 feet 6 inches (2,90m), with the most common height being 8 feet 6 inches (2,59m). The 40-foot (12,2m) or 45-foot (13,7m) containers – the sizes most frequently used – are both defined as two TEU.

Figure 8: Total passenger movements at South Africa's major airports, January 2014 to December 2017



Source: ACSA, February 2018.

Figure 8 indicates the pronounced degree of seasonality in Cape Town's air passenger movements, with these consistently declining in the second quarter when the city enters its winter months and picking up once again in the summer months. This is evident in the fourth quarter of 2017, with total passenger arrivals increasing by 15,23% on the third quarter's figures. On a year-on-year basis (which controls for seasonal effects) passenger arrivals at Cape Town International in the fourth quarter of 2017 increased by 6,63%, while international arrivals increased by 13,85%.

c. Water

Cape Town is currently experiencing its worst drought in recorded history. With dam levels very low, the City is pursuing a range of augmentation options for alternative water supply, including seawater desalination, wastewater reuse and groundwater extraction.

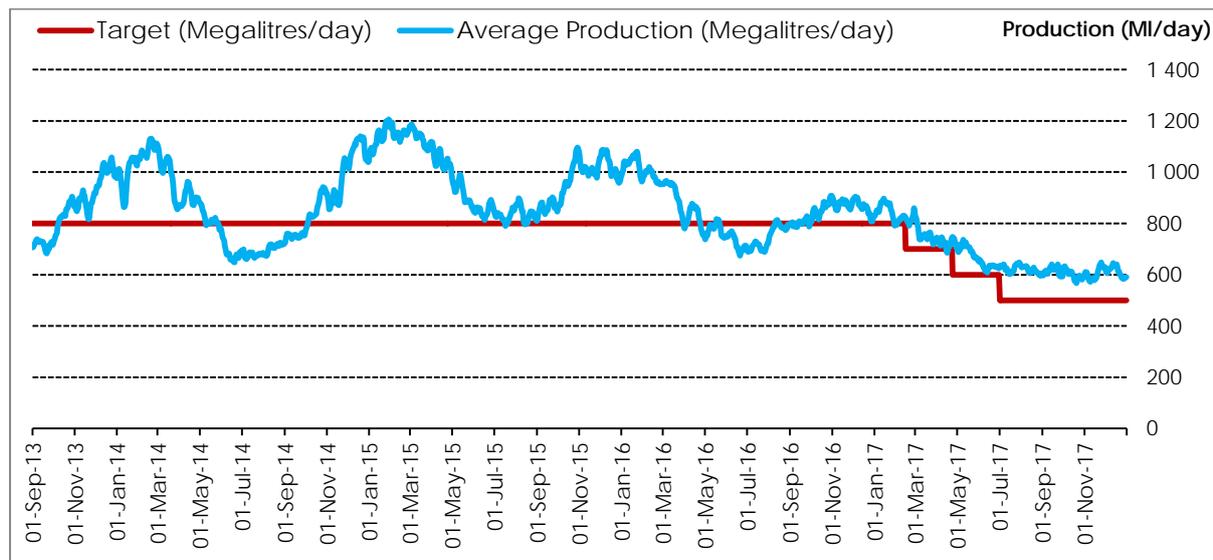
The City has also implemented a range of water restrictions and tariff changes to induce a reduction in water demand in line with a total water supply target of a maximum of 500 million litres (MI) per day⁶, in order to avert a possible 'Day Zero'⁷. As figure 9 shows, water production⁸ in the City has been on the decline over the past year relative to its historical trend, but is still above this target.

⁶ Subsequent to the fourth quarter of 2017, as of 24 January 2018, this target was revised to a maximum of 450 million litres per day.

⁷ Day Zero is a term used to reflect the possible day that almost all of the taps in the city may be turned off and citizens may have to queue for water.

⁸ Readers are cautioned to not interpret this water production indicator as synonymous with water consumption in Cape Town, as it includes losses (for example, due to leaks), as well as treated water provided to external customers like neighbouring municipalities.

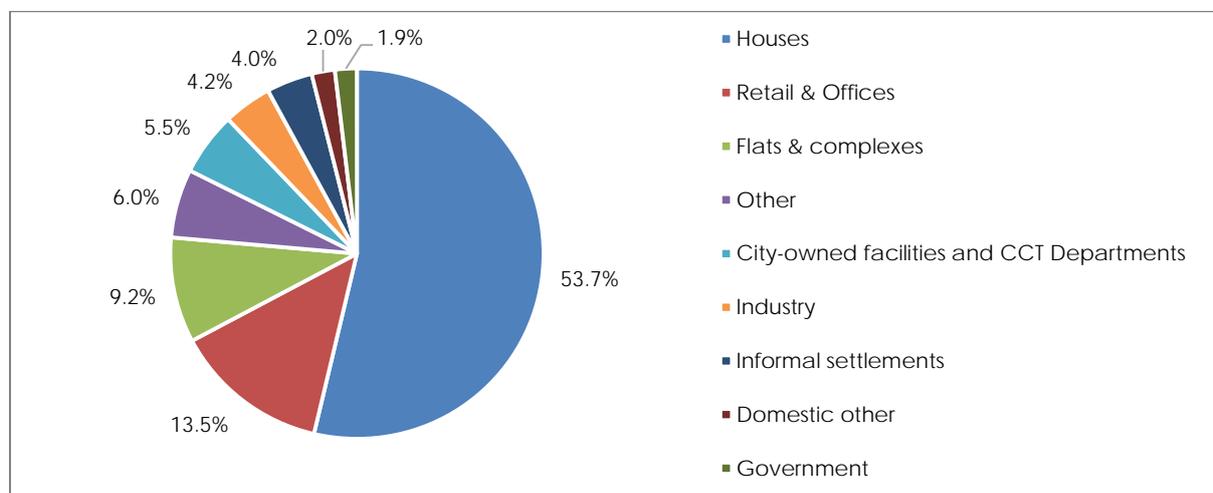
Figure 9: Daily average water production (7 day average)



Source: City of Cape Town: Department of Water & Sanitation, 2018.

Drinking water consumption in 2017, as illustrated in figure 10, was largely dominated by domestic⁹ and commercial (Retail and Office spaces) categories, which respectively accounted for approximately 68,9% and 13,5% of total water consumption. This was followed by Other customer types (6%), City-owned facilities and City Departments (5,5%), Industry (4,2%) and Government (1,9%).

Figure 10: Potable water consumption by use category (2017)



Source: City of Cape Town: Department of Water & Sanitation, 2018.

5. Tourism

Cape Town is a well-known tourist destination, both locally and internationally, and the tourism sector is a valuable economic contributor. The occupancy and revenue figures presented in table 2 are derived from a monthly survey of an average of 81 tourism

⁹ Which comprises the following categories: Houses (53,7%), Flats and complexes (9,2%), Informal Settlements (4%) and Domestic other (2%).

accommodation establishments in the Cape Town metro area. Occupancy rates at city accommodation establishments decreased by an average of 2,4 percentage points in the fourth quarter of 2017 compared to the same period in 2016. The month of November recorded the highest occupancy rate (80,8%) in the fourth quarter of 2017, but recorded a year-on-year decrease of 3,2 percentage points when compared to November 2016. The average room rate increased year-on-year in the fourth quarter of 2017 by R144. Similarly, the revenue per room increased by R57 during this period. Overall, tourist accommodation in Cape Town, on average, performed marginally weaker than the corresponding period last year. This may be reflective of the negative impact that water shortages are having on the demand for tourist accommodation in Cape Town, particularly from the domestic market. The resultant downward pressure on the average occupancy rate in the city is likely further exacerbated by the significant expansion of room supply in the city in the past year. In terms of an occupancy breakdown by type of establishment, the highest occupancy rate in the fourth quarter of 2017 was achieved by hotel establishments (76,6%).

Table 2: Income derived from tourist accommodation, Quarter 4, 2016 versus Quarter 4, 2017

Indicator	October		November		December		Fourth-quarter average	
	2016	2017	2016	2017	2016	2017	2016	2017
Occupancy rate	76,4%	71,6%	84,0%	80,8%	73,2%	74,0%	77,9%	75,5%
Average room rate	R2, 195	R2, 399	R1, 903	R2, 035	R1, 763	R1, 859	R1, 953	R2, 097
Revenue per room	R1, 676	R1, 717	R1, 599	R1, 644	R1, 290	R1, 375	R1, 521	R1, 578

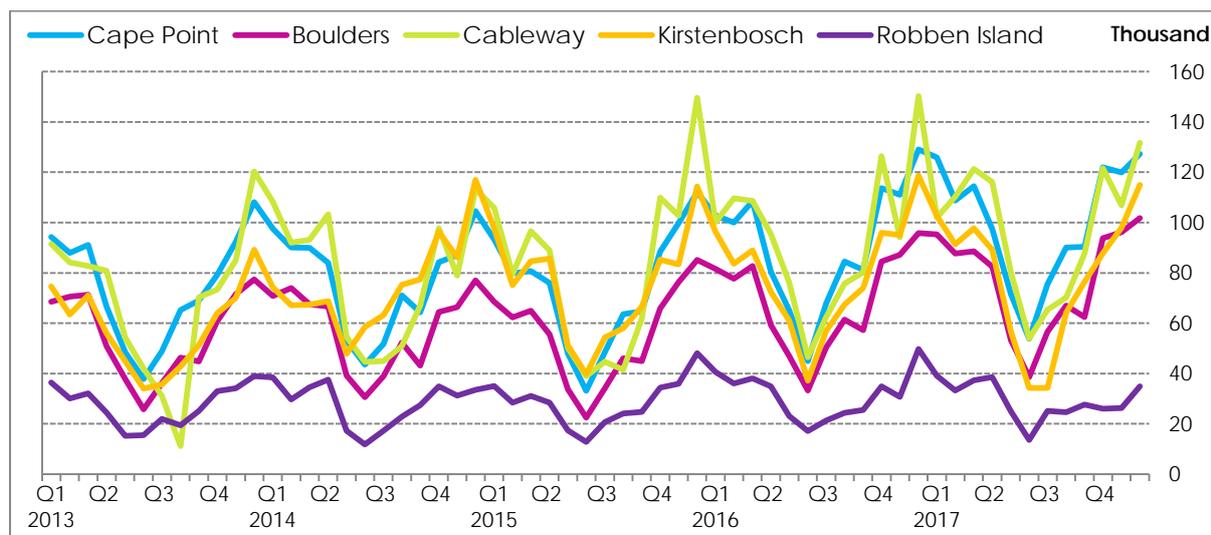
Source: Derived from Cape Town Tourism data, February 2018.

On a year-on-year basis only two of the five major Cape Town tourist attractions¹⁰ recorded increases in the number of visits in the fourth quarter of 2017. Boulders Beach observed the largest increase of 24 320 visit numbers (9,1% growth), followed by Table Mountain Park: Cape of Good Hope, with an increase of 15 478 visit numbers (4,4%). Robben Island (-24,4%), Kirstenbosch National Botanical Gardens (-2,9%) and the Table Mountain Aerial Cableway (-2,8%) all experienced a decline in visitor numbers in the fourth quarter of 2017 compared to the same period in 2016.

Figure 11, illustrates that Cape Town's attractions are subject to strong seasonality, with peak visitor activity occurring in the summer period from November to March. The lowest tourist visitor numbers are seen during the period May to July, which are Cape Town's winter months. Despite the positive performance of some of Cape Town's top attractions, total visits to the five major attractions declined by 0,5% in the fourth quarter of 2017 compared to the same period in 2016.

¹⁰ Excludes the V&A Waterfront.

Figure 11: Total visits to the top 5 tourist destinations of Cape Town¹¹, quarter 1, 2013 to quarter 4, 2017



Source: Derived from Wesgro and Cape Town Tourism data, February 2018.

6. Additional Indicators

In addition to macroeconomic indicators, administrative data capture specific consumer trends and provide strong indications of the performance of the local economy. In particular, building plan statistics and property development are key indicators of the levels of confidence in the economy, while passenger vehicle sales mirror trends in the business cycle and are regarded as a leading indicator of GDP growth.

a. Building developments

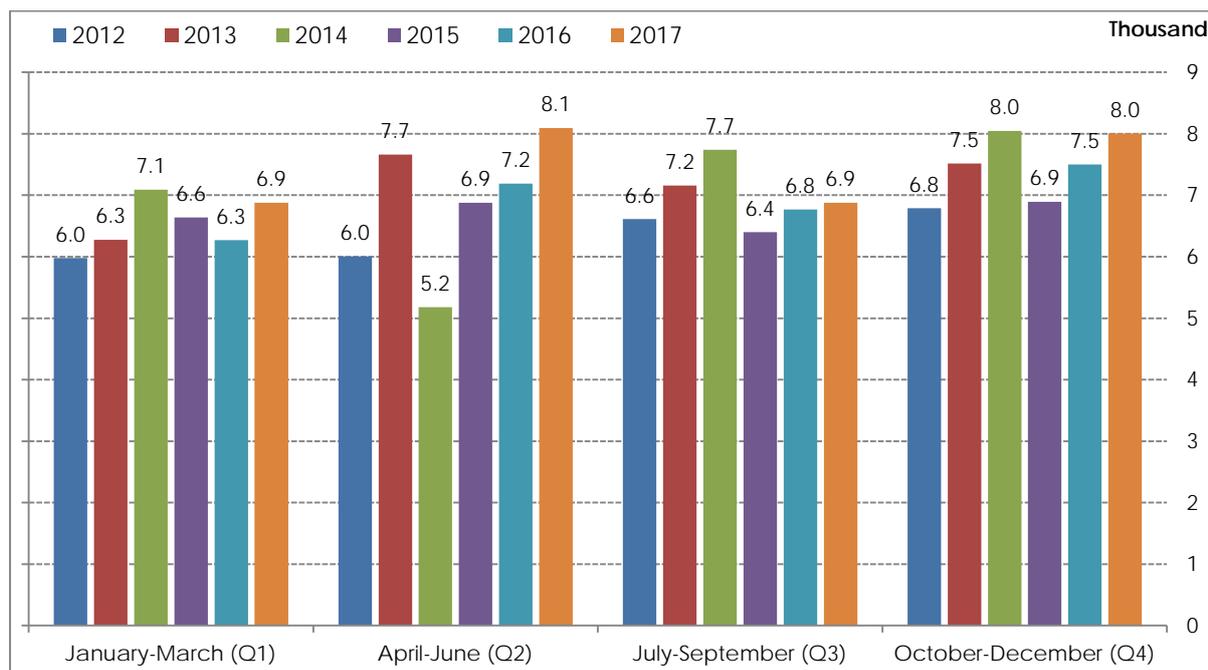
The economic growth data for the fourth quarter of 2017 highlights that output in the national construction industry contracted by 1,4% quarter-on-quarter, its fourth consecutive contraction. On a year-on-year basis the sector contracted by 1,1% in the fourth quarter of 2017 as compared to its (revised) year-on-year contraction of 0,5% in the third quarter of 2017 (Quantec, 2018). The Western Cape's construction industry also contracted by 1,5% quarter-on-quarter in the fourth quarter of 2017, and by 1,2% on a year-on-year basis, putting it on par with the national trend. Furthermore, the First National Bank (FNB)/BER composite Building Confidence Index¹² (BER, 2017) remained below 50 points, declining a further 4 index points to register at 31 index points for the fourth quarter of 2017, its lowest level since the third quarter of 2012.

Building plans submitted to the City of Cape Town (City/CCT) in the fourth quarter of 2017 increased by 16,4% from the previous quarter. Figure 12 provides an annual comparison of the number of building plans submitted in each of the quarters over the past six years, thereby controlling for seasonal trends in the building and construction industry. Building plans submitted to the City in the fourth quarter of 2017 increased by 6,7% compared to the corresponding period in 2016.

¹¹ Excludes the V&A Waterfront.

¹² The FNB/BER Building Confidence Index captures the percentage of architects, quantity surveyors, and contractors and manufacturers of building material, who are satisfied with or wary of the prevailing business conditions.

Figure 12: Building plans submitted to the CCT, 2012-2017



Source: Transport Development Authority: Business Support Department, CCT, February 2018.

b. Commercial property developments

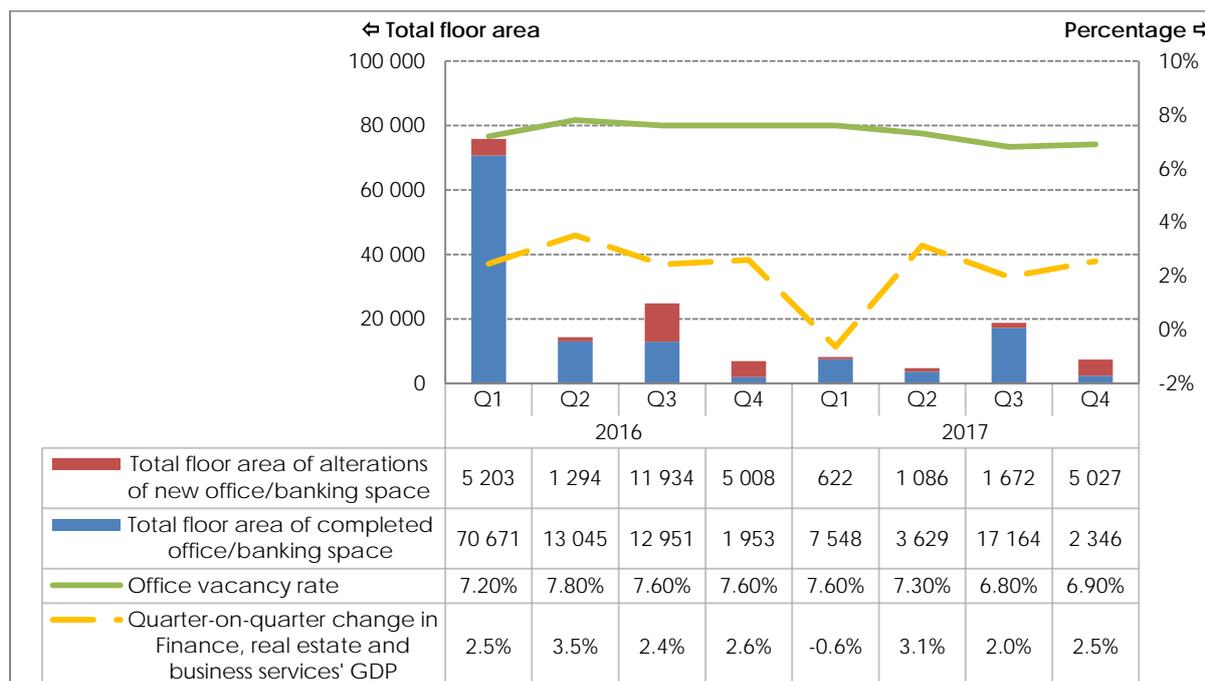
The performance of the commercial property market can be tracked in a number of ways. An indicative trend analysis is provided in figure 13 by review of the observed variation in the quarterly office vacancy rate, the total floor area of completed office buildings added to the office property stock, the total floor area of completed office building alterations and the quarter-on-quarter percentage change in provincial GVA for the finance and business services sector. The service sector is the largest in Cape Town and as such this indicator is a useful measure of economic activity.

In the fourth quarter of 2017, construction of 2 346 m² of new office or banking space was reported to have been completed as well as 5 027 m² of office or banking space alterations, the latter picking up after several slow quarters¹³. In terms of new office or banking space completed, this represents a notable decrease in completions of 86,3% when compared to the third quarter of 2017 in which construction of 17 164 m² new office or banking space was completed. This was however in line with historical trends of lower activity in the fourth quarter of the year. The Jones Lang LaSalle (JLL) Cape Town Office Market Report (2018) notes that despite office-to-residential conversions¹⁴, the office market has continued to display resilience in the fourth quarter of 2017.

¹³ Data for quarter 2 and quarter 3 of 2017 has been revised since the previous edition of EPIC.

¹⁴ Which corresponds to a conversion of previously categorised office space into residential units.

Figure 13: Office/banking space sector developments, January 2016 to December 2017



Source: Transport Development Authority: Business Support Department, CCT, February 2018; Jones Lang LaSelle, February 2018; and Quantec, March 2018.

As figure 13 shows, Cape Town’s office vacancy rate in the fourth quarter of 2017 increased slightly by 0,1 percentage points to a rate of 6,9% (JLL, 2018). The finance and business services sector in the Western Cape reported an increase in GVA growth from 2,0% in the third quarter¹⁵ to 2,5% in the fourth quarter. According to the South African Property Owners Association (2017), a sustained improvement in the office vacancy rate (i.e. return to the natural vacancy rate), depends on the long-term strength of key economic drivers such as economic growth and business confidence.

c. New vehicle sales

Total vehicle sales in the Western Cape decreased from 16 149 in the third quarter of 2017 to 15 758 in the fourth quarter of 2017. Year-on-year results, which offer a more precise reflection of vehicle sales’ performance over time, saw an increase in the total vehicle sales of 127 (0,81%) from the 15 631 total vehicle sales in the corresponding period in 2016 in the Western Cape. Passenger vehicle sales, which are the private consumer segment of the market, declined from 10 665 in the third quarter of 2017 to 10 298 in the fourth quarter of 2017. Year-on-year results recorded an increase of 187 vehicle sales (1,85%) on the 10 111 vehicles sold in 2016. Nationally, 92 905 passenger vehicles were sold in the fourth quarter of 2017, reflecting a 6,59% year-on-year increase.

¹⁵ Quarterly GDP growth for the third quarter of 2017 has been revised, including growth of the finance sector from 1,2% to 2,0% (Quantec, 2018).

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Abbreviations

ACSA: Airports Company South Africa	GVA: gross value added
BER: Bureau for Economic Research	l: million litres
CCT/City: City of Cape Town	MPC: Monetary Policy Committee
CPI: consumer price index	NAAMSA: National Association of Automobile Manufacturers of South Africa
FNB: First National Bank	PPI: producer price index
GDP: gross domestic product	SARB: South African Reserve Bank
GDP-R: regional gross domestic product	V&A: Victoria and Alfred
GGP: gross geographic product	