



CITY OF CAPE TOWN
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INVEST CAPE TOWN

Economic Performance Indicators for Cape Town



EPIC

2022 QUARTER 3

(July-September)

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ACKNOWLEDGEMENTS

The EPIC quarterly publication is a collaboration between the Enterprise and Investment, and Policy and Strategy departments of the City of Cape Town. The EPIC publication presents an analysis of economic and related trends in Cape Town on a quarterly basis. This edition focuses on the third quarter of 2022, covering the period 1 July to 30 September 2022.

ECONOMIC CONTENT AUTHORED BY THE ECONOMIC ANALYSIS BRANCH, POLICY AND STRATEGY DEPARTMENT

Manager: Economic Analysis
Paul Court

Project manager and author
Dilshaad Gallie

Additional authors
Monique Petersen
Jodie Posen
Alfred Moyo

MARKETING, DESIGN AND DISTRIBUTION BY THE INVEST CAPE TOWN TEAM, ENTERPRISE AND INVESTMENT DEPARTMENT

Manager: Place Marketing
Rory Viljoen

Project manager
Tarryn Voigt-Mallum

Email
economic.research@capetown.gov.za
info@investcapetown.com

Online access
www.capetown.gov.za/EPIC

Sign up to the EPIC mailer
www.investcapetown.com/news-events/newsletters

ADDITIONAL SOURCES OF INFORMATION

City of Cape Town Planning and Building Development Management
Lizanne Ryneveldt
Marius Crous

City of Cape Town Electricity Generation and Distribution
Gary Ross

FOREWORD

In July 2022, I had the privilege of addressing UK and EU delegates on the various trade opportunities available in South Africa, and which we believe are not yet being fully leveraged by our country and its global trade partners. Research has found that South Africa could generate up to R840 billion more in trade revenues if it took full advantage of the export agreements within the EU-SADC Economic Partnership Agreement.

While this finding should make us all very excited and eager to get our local products onto overseas shelves, it instead highlights the many barriers that domestic exporters face in South Africa, particularly those connected to our inefficient ports and the worsening energy crisis.

This is why the City of Cape Town has prioritised efforts to reduce load-shedding over time and to do whatever is possible at a local government level to assist the Port of Cape Town with its efforts to eradicate the challenges that still exist there.

On the load-shedding front, the City has been able to protect its customers from up to two stages of load-shedding, primarily through the effective management of the Steenbras hydro pumped storage scheme. This had made a big difference

for City of Cape Town electricity customers, who were shielded from more than 1 700 of Eskom's 3 000 hours of load-shedding between February and November 2022. In the coming months, further energy security projects will be unveiled as the City continues its work to keep the lights on.

These ongoing efforts, coupled with our programmes to assist small businesses and connect job seekers with opportunities, meant that Cape Town not only maintained its status as the metro with the lowest unemployment rate, but enjoyed the biggest percentage drop in unemployment rate out of all the South African metros. This proves the effectiveness of the City's programmes aimed at driving skills development, business growth, and investments into Cape Town.

Our Jobs Connect Workforce Development platform, for example, helps job seekers source knowledge, training and employment opportunities, and links businesses with the appropriate individuals that will help them expand their operations. Since it was launched in April 2021, Jobs Connect has added more than 66 000 people to its database.

The City also oversees a number of initiatives aimed at bolstering small businesses. In South Africa,

small businesses provide between 50% and 60% of all employment opportunities. Platforms such as the Productivity Efficiency Programme assist small and medium-sized enterprises (SMMEs) that are in distress or need guidance on ways to improve their operations. In the past year, 18 businesses were supported by the programme, resulting in the retention of 588 jobs.

Through interventions like these, the City is proving very successful in mitigating the ill-effects of a still-shaky national economic situation. This has all been made possible through the concerted efforts of numerous City officials along with the hard work of my team in the Economic Growth Directorate, as well as our partners at various organisations.

The City continues to show that, through empathy, collaboration, sound strategy, and hard, smart work, we can generate and support sustainable and inclusive economic growth.

Let's keep pushing.



Alderman James Vos

Mayoral Committee Member
for Economic Growth

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INTRODUCTION

In this 38th edition of the quarterly EPIC publication, we present statistics and analyses of Cape Town's key economic trends. This edition focuses on quarter 3 of 2022, covering the period 1 July to 30 September 2022.

Following the contraction of its economy in the previous quarter, the Western Cape economy recorded a 1,9% non-annualised growth rate in the third quarter of 2022, once again returning GDP to pre-Covid levels. While tied to the current erratic performance of the national economy (reflected in alternating growth and recessionary quarters), the Western Cape economy, of which Cape Town is the primary contributor, recorded significantly higher growth rates on both a quarter-on-quarter (1,9% vs 1,6%) and year-on-year basis (4,8% vs 4,0%) than the national economy. The story reflected in these growth rates is one which is increasingly apparent in a number of other indicators mentioned in this report, as the Western Cape and Cape Town economy in particular, attempt to chart a different course to that which the national economy appears to be on.

Employment in Cape Town in the third quarter grew by 59 219 jobs year-on-year, admittedly still coming off a low base in the context of the strong jobs losses in the country over the last two years. A strong driver of employment growth over the past year has been the trade and hospitality sector wherein employment grew by over 60 000 jobs. This performance is heartening, considering the devastation that Covid wreaked on the hospitality industry. Further indication of this turn-around is evident in Cape Town's accommodation occupancy rates, which improved by over 25 percentage points year-on-year, and, perhaps even more pleasingly, in the Revenue Per Room (Rev PAR) indicator which showed a notable increase on the previous year.

While employment growth is something to be lauded, it needs to be more than nominally positive. It needs to be sufficiently large to accommodate a rapidly expanding working-age population and to make a dent in existing high levels of unemployment. In this respect, the significant declines recorded in both the strict and expanded rates of unemployment in the third quarter in Cape Town is highly encouraging. Cape Town recorded the largest

decrease in the strict unemployment rate of all the metros and, importantly, still maintained the lowest expanded rate of unemployment. The ongoing strong labour market performance of Cape Town, as compared to the other metros, is also evident in the recent release of historic tax data by SARS, which confirms that Cape Town significantly outperformed all the other metros in the creation of formal sector employment in the five years leading up to the Covid pandemic, growing full-time equivalent jobs at 4,2% per annum. There remains work to be done in supporting a consistent and sustainable employment growth path, particularly in the informal sector which has been far more susceptible to economic shocks and stresses, and yet is critical to poverty alleviation in the city.

The results of the economic indicators discussed in this report reveal two key observations. Firstly, as now discussed at length, Cape Town's economy has begun to fare noticeably better than the national economy – this is also evident in indicators that have not been explored here; like property prices and confidence levels. This is a welcome development, but we cannot be content with simply outperforming the national economy. To truly realise the ambition, expressed by the Executive Mayor, of becoming a city of hope, Cape Town must look to compete with other successful emerging country cities, learning from their approaches to reducing costs of doing business and promoting investment and job creation.

Secondly, as importantly pointed out by Alderman Vos in his foreword, some of the gains made in the third quarter come against the backdrop of the highest levels of load-shedding experienced up to that point – there was more load-shedding from July to September 2022 than in any full year since Eskom started implementing it in 2007. The fact that the manufacturing and construction sectors, in particular, could post positive GDP and employment growth rates in the third quarter are a testament to the resilience of our businesses and the City's ability to reduce load-shedding stages by utilising the pumped storage scheme. These levels of resilience would have been tested to the fullest in the fourth quarter, with ongoing high levels of load-shedding and a worsening outlook for power generation in the country. Load-shedding mitigation

measures by businesses can only be short term at best, and the impact of extended power outages will have a growing negative impact on output and employment.

What is increasingly evident is that the ability of cities and local municipalities to sustainably de-link from the insipid growth performance of the national economy will be predicated on their ability to achieve some level of energy independence. To this end, the City's efforts to reduce load-shedding will become an ever-more important determinant of the performance of key economic indicators in the forthcoming quarters.

Paul Court
Chief Economist

NOTE

For this edition, it is important to be mindful that year-on-year changes (i.e. comparing data in the analysis period to that of the third quarter of 2021) could be elevated due to the impact of Covid-19 and the lockdown restrictions on economic activity and recovery. For this reason, several chapters in this edition may include comparisons to the third quarter of 2020 or 2019 to provide insight into whether the respective market conditions have recovered or worsened when compared to pre-pandemic levels.

KEY FINDINGS FOR THE THIRD QUARTER OF 2022

In the third quarter of 2022, the Western Cape economy rebounded with 1,9% quarter-on-quarter growth (non-annualised), mirroring the national trend. The growth was mainly driven by agriculture (18,3%), along with seven other sectors that recorded positive growth during the quarter.

The Western Cape recorded an inflation rate of 7,3% at the end of the third quarter of 2022, which is an increase from the 7,1% shown at the end of the previous quarter. The national inflation rate was recorded at 7,5%.

The number of people employed in Cape Town increased by 41 575 on a quarter-on-quarter basis, to a total of 1,5 million in the third quarter of 2022. On a year-on-year basis, this figure also increased by 80 820 employed individuals. Compared to the previous quarter, the main contributors to employment during the period were the manufacturing (28 566), construction (27 285), and transport and communication (24 151) sectors.

Cape Town's top five tourist attractions recorded a total of 528 632 visitor numbers in the third quarter of 2022. This represented a year-on-year improvement of 118%.

Accommodation establishments in Cape Town recorded an average occupancy rate of 59,5% in the third quarter of 2022. The domestic market remains a dominant source of business for the sector.

Cape Town International Airport recorded almost 1,9 million air passenger movements in the third quarter of 2022. This remains 29,5% lower than the same period in 2019.

On a quarter-on-quarter basis, Cape Town's [international] trade recorded an increase in exports and imports in the third quarter. Exports were mainly led by citrus fruits, as well as refined petroleum oils. On a year-on-year basis, third quarter exports recorded an increase of 18,8% from levels shown in the third quarter of 2021.

The City of Cape Town recorded a year-on-year decrease in building plan submissions to 4 276 (from 4 612 in the same period in 2021). The total rand value of building completions also declined by 53,1% when compared to the third quarter of 2021.

01





OVERVIEW

CAPE TOWN OVERVIEW 2022: QUARTER 3

GROSS DOMESTIC PRODUCT (GDP)

The **Western Cape** accounted for **R660 billion^a** of the **R4,6 trillion gross domestic product (GDP)** generated by **South Africa** in the third quarter of 2022. While GDP data are not available at a city level on a quarterly basis, **Cape Town typically contributes around 71% of the provincial GDP annually.^b**

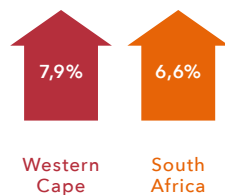


^a At constant 2015 prices, seasonally adjusted and non-annualised. Source: Quantec, 2022.

^b Source: IHS Markit, 2022.

GDP GROWTH RATE

During the third quarter of 2022, the **Western Cape** recorded a quarter-on-quarter **GDP growth of 7,9%**, compared to **national GDP growth of 6,6%.^c**



^c At constant 2015 prices, seasonally adjusted and annualised. Source: Quantec, 2022.

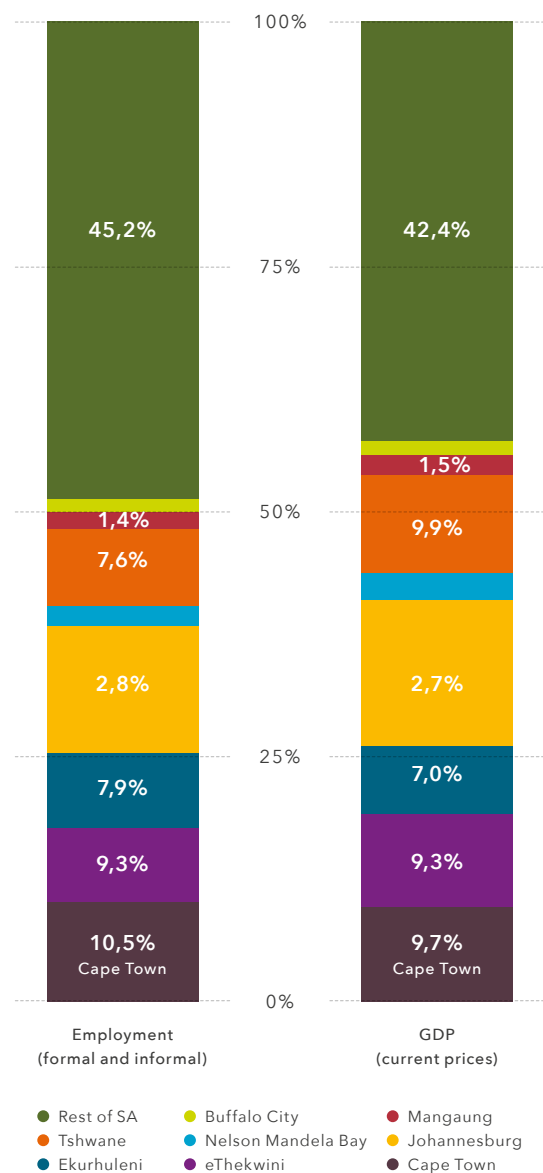
GDP PER CAPITA

In 2021, **South Africa** had a **GDP per capita of R103 198**, while the **Western Cape's GDP per capita was R123 709** and **Cape Town's was R135 580.^d**

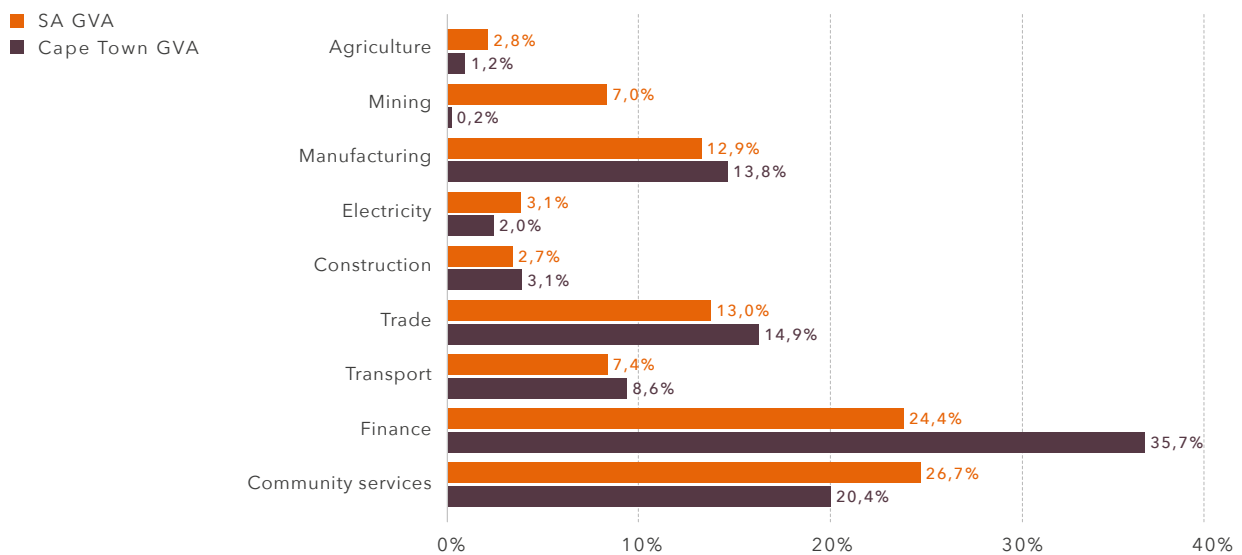


^d At current prices. Source: IHS Markit, 2022.

CAPE TOWN GROSS GEOGRAPHIC PRODUCT AND EMPLOYMENT CONTRIBUTIONS TO SA, 2021^e



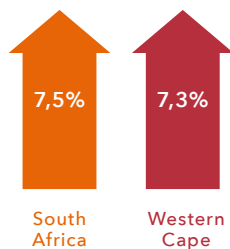
^e At current prices. Source: IHS Markit, 2022.

CAPE TOWN GROSS VALUE ADDED (GVA) VERSUS NATIONAL GVA, 2021^f

^f At current prices. Source: IHS Markit, 2022.

INFLATION

At the end of the third quarter of 2022, **South Africa** had an inflation rate of **7,5%**. The **Western Cape's** inflation rate for the same period was **7,3%**.^g



^g Source: Statistics South Africa (Stats SA), 2022.

POPULATION

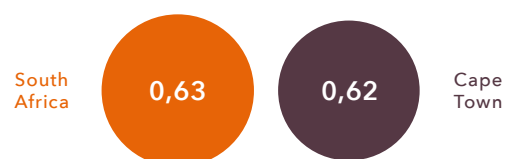
South Africa has a population of **60 142 978**. A total of **7 113 776 people** (11,8% of the national population) live in the **Western Cape**. Of those, **4 678 900** are residents of **Cape Town**.^h



^h Source: City of Cape Town, 2022a.

GINI COEFFICIENT

In 2021, **South Africa** had a Gini coefficient of **0,63**, while **Cape Town** had a slightly lower value of **0,62**.ⁱ



ⁱ Source: IHS Markit, 2022.

VISITOR ATTRACTIONS

In the third quarter of 2022, tourists and residents made **528 632 visits** to **Cape Town's five major attractions**.^j



^j Source: Wesgro, 2022.

AIR PASSENGER MOVEMENTS

1 857 008 passengers moved through **Cape Town International Airport** during the third quarter of 2022.^k

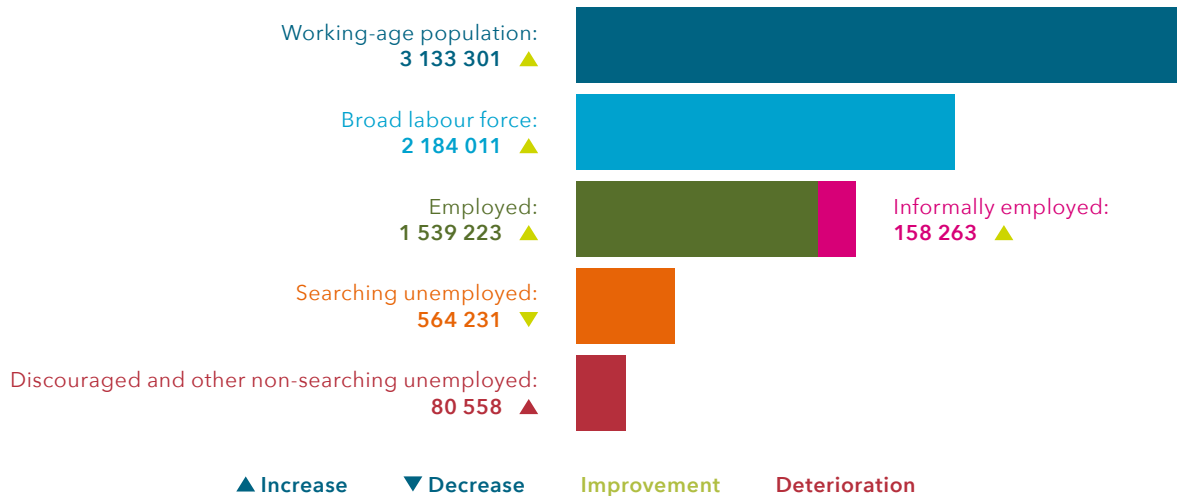


^k Source: Airports Company South Africa, 2022.

LABOUR OVERVIEW

2022: QUARTER 3

LABOUR MARKET INDICATORS, 2022 Q3 (QUARTER-ON-QUARTER CHANGES)

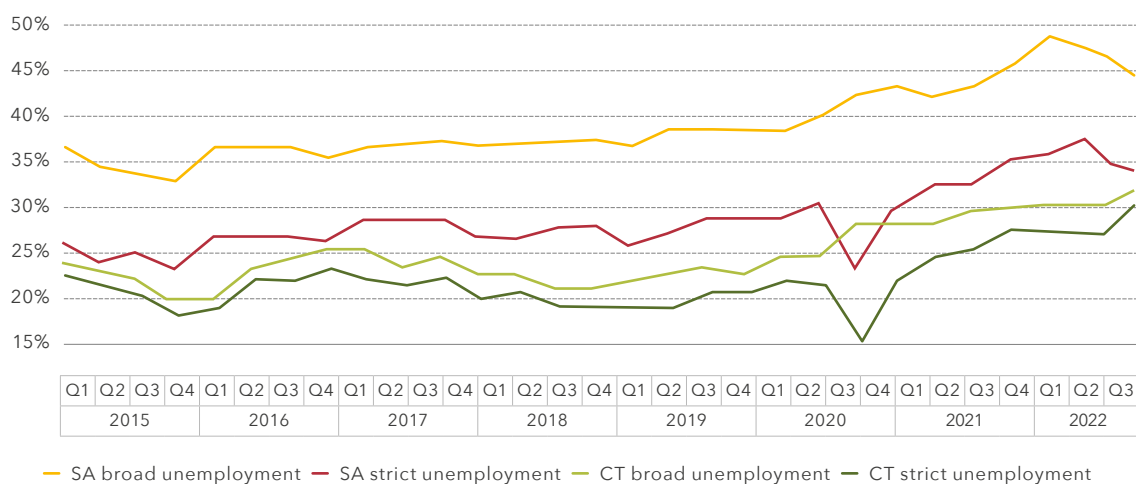


Labour force participation rate (strict) = 67,1%

Absorption rate = 49,1%

Source: Statistics South Africa, Quarterly Labour Force Survey, 2022 Quarter 3, November 2022.

STRICT VERSUS BROAD UNEMPLOYMENT RATES FOR SOUTH AFRICA AND CAPE TOWN, 2015 Q1 TO 2022 Q3¹



¹ The 'strict' definition of unemployment includes only people who are actively seeking work. The 'broad' definition of unemployment includes those under the 'strict' definition as well as 'discouraged' and other 'non-searching' job seekers.



02





ECONOMIC GROWTH

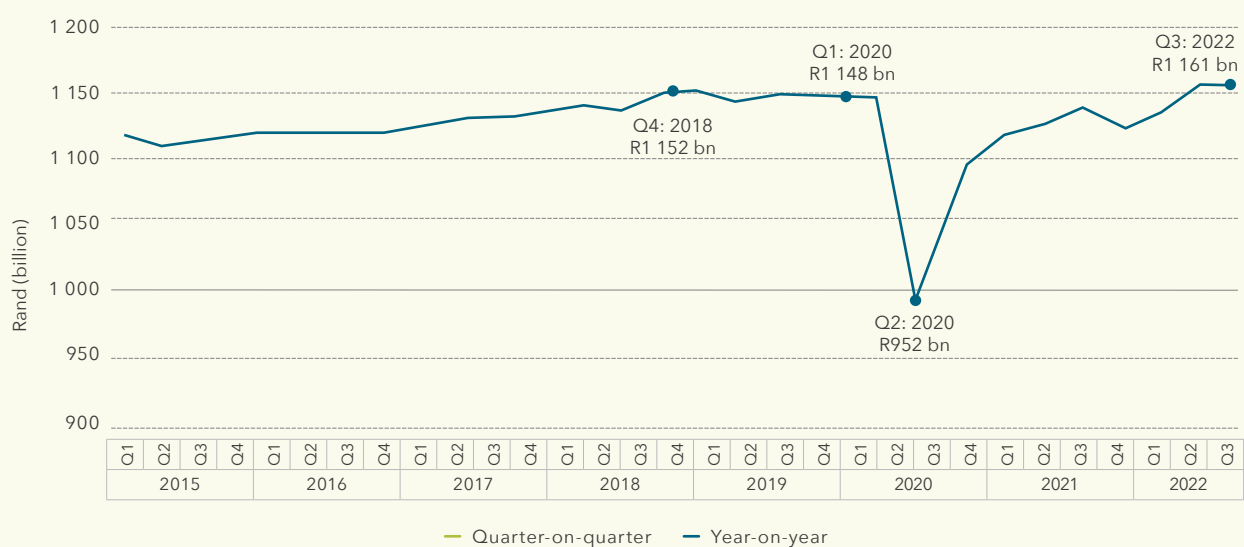
Gross domestic product (GDP) growth is one of the most widely used measures of economic performance in a country or region. It provides an indication of the level of value-added production that takes place in an economy during a specific period. Large cities such as Cape Town are typically the loci of economic production, and are therefore often the main drivers of economic growth in a region.

SOUTH AFRICA'S QUARTER-ON-QUARTER ECONOMIC PERFORMANCE

Following a contraction (-0,7%) in the previous quarter, the South African economy rebounded with 1,6% quarter-on-quarter growth in the third quarter of 2022 (non-annualised, as per the change in Statistics South Africa's reporting conventions).² This represents an improvement of 2,4 percentage points from the previous quarter. The

performance in the third quarter significantly exceeded both the Bloomberg consensus of 0,4% and the Bureau for Economic Research's (BER) expectation of 0,7%. According to the BER, real GDP is now 1,2% higher than pre-pandemic (2019 Q4) levels (BER, 2022a), as illustrated in figure 1.

FIGURE 1: SOUTH AFRICA'S REAL GDP (CONSTANT 2015 PRICES, SEASONALLY ADJUSTED), 2015 Q1 TO 2022 Q3



Source: Statistics South Africa, Gross domestic product, Third quarter 2022.

² Statistics South Africa (Stats SA) announced that "it will no longer use the annualised rate as the headline rate of change". This was first implemented in its GDP release for the second quarter of 2021 (Stats SA, 2021a).

At the national level, eight sectors were drivers of overall performance, recording positive growth during the third quarter of 2022. Of these, the largest sectoral growth rate was recorded in the agriculture sector, which grew by 19,2% quarter-on-quarter and added 0,5 percentage points to the total national growth rate. This was followed by the transport and construction sectors, which recorded quarter-on-quarter growth of 3,7% and 3,1%, respectively, and added 0,3 and 0,1 of a percentage point, respectively, to the total national growth rate. Further growth was recorded in the mining (2,1%), finance and business services (1,9%), manufacturing (1,5%), trade and hospitality (1,3%), and general government (0,3%) sectors, adding a combined 1 percentage point to the total national growth rate.

For the third quarter of 2022, only two sectors recorded quarter-on-quarter contractions. The community and personal services sector declined by 1,2% quarter-on-quarter, and the electricity and water sector by 2,1%, subtracting a combined 0,3 of a percentage point from total national growth in the period under review.

Despite the national economy's positive performance, there are a number of other indicators that still point to the current challenging economic climate and the economy's strained path of recovery. The RMB/BER Business Confidence Index dropped a further 3 index

points to record 39 index points in the third quarter of 2022. According to the BER, the low sentiment was driven by a significant deterioration in building confidence, while confidence in manufacturing also remains low (BER, 2022b). The FNB/BER Consumer Confidence Index also remains significantly low, although recording some improvement from -25 to -20 index points in the third quarter of 2022. While South Africa no longer has pandemic-related restrictions in place, the weak consumer sentiment is attributed to "mounting inflationary and interest rate pressures" (BER, 2022c).

The Absa Purchasing Managers' Index (PMI) survey is more indicative of manufacturing activity as it centres on components such as business activity, new sales orders, supplier performance, prices and employment, in addition to business sentiment. Following a relatively weak second quarter (ending March at 52,2 index points), the Absa PMI experienced a tough start in the third quarter, with a further drop to record 47,6 index points in July. The index then regained the loss, improving to 52,1 index points in August, before declining again to 48,2 index points in September. A notable contributor to the poor sentiment was the intensified load-shedding, while the health of the global economy, as well as the lingering impacts of higher borrowing costs, likely added pressure (BER, 2022d).

A GLOBAL COMPARISON OF ECONOMIC PERFORMANCE

After entering 2022 in a weaker-than-expected position (IMF, 2022a), global economic recovery continued to face further setbacks. Inflation has reached levels counted among the highest seen in several decades, with most regions experiencing tightening financial conditions, and the continued Russia-Ukraine war and lingering Covid-19 impacts placing additional pressure on the outlook (IMF, 2022b).

After recording global economic output at 6,1% for 2021, in its latest World Economic Outlook (WEO) the IMF (2022b) left its forecast unchanged for 2022 at 3,2%, while revising its forecast for 2023 down to 2,7% from

the previous 2,9%. The IMF notes that its muted forecast for 2022 is underpinned by the stark reality that a third of the global economy faces two consecutive quarters of negative growth. For 2022, the IMF has revised its growth forecast for advanced economies down to 2,4%, a drop of 0,1 of a percentage point from its WEO Update of July 2022. At the same time, it has upwardly revised its forecast for emerging and developing economies (by 0,1 of a percentage point) to 3,7%. The exception, however, is South Africa, which has seen a downward revision in IMF forecast, projecting growth of 2,1% in 2022 and 1,1% in 2023.

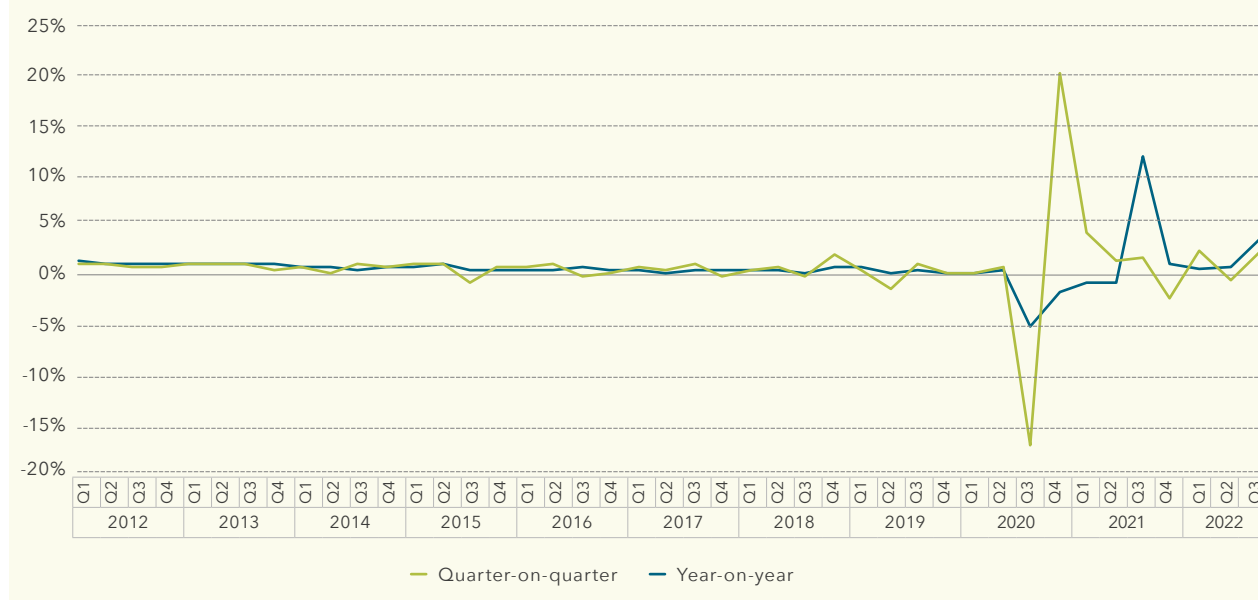
WESTERN CAPE AND CAPE TOWN ECONOMIC PERFORMANCE

The Western Cape economy contributes around 14% of South Africa's gross domestic product (GDP). In line with the national economy's performance (1,6%), the Western Cape economy recorded [non-annualised] growth of 1,9%, quarter-on-quarter for the third quarter of 2022.

The year-on-year data for the Western Cape indicate a

similar performance to that of the country as a whole. Despite a slowdown in the previous quarter [to below 1%], the year-on-year performance at both national and provincial levels improved in the third quarter of 2022. South Africa experienced year-on-year growth of 4,0%, while the Western Cape economy recorded year-on-year growth of 4,8% in that period.

FIGURE 2: REAL GDP GROWTH FOR THE WESTERN CAPE, 2012 Q1 TO 2022 Q3



Source: Quantec, 2022.

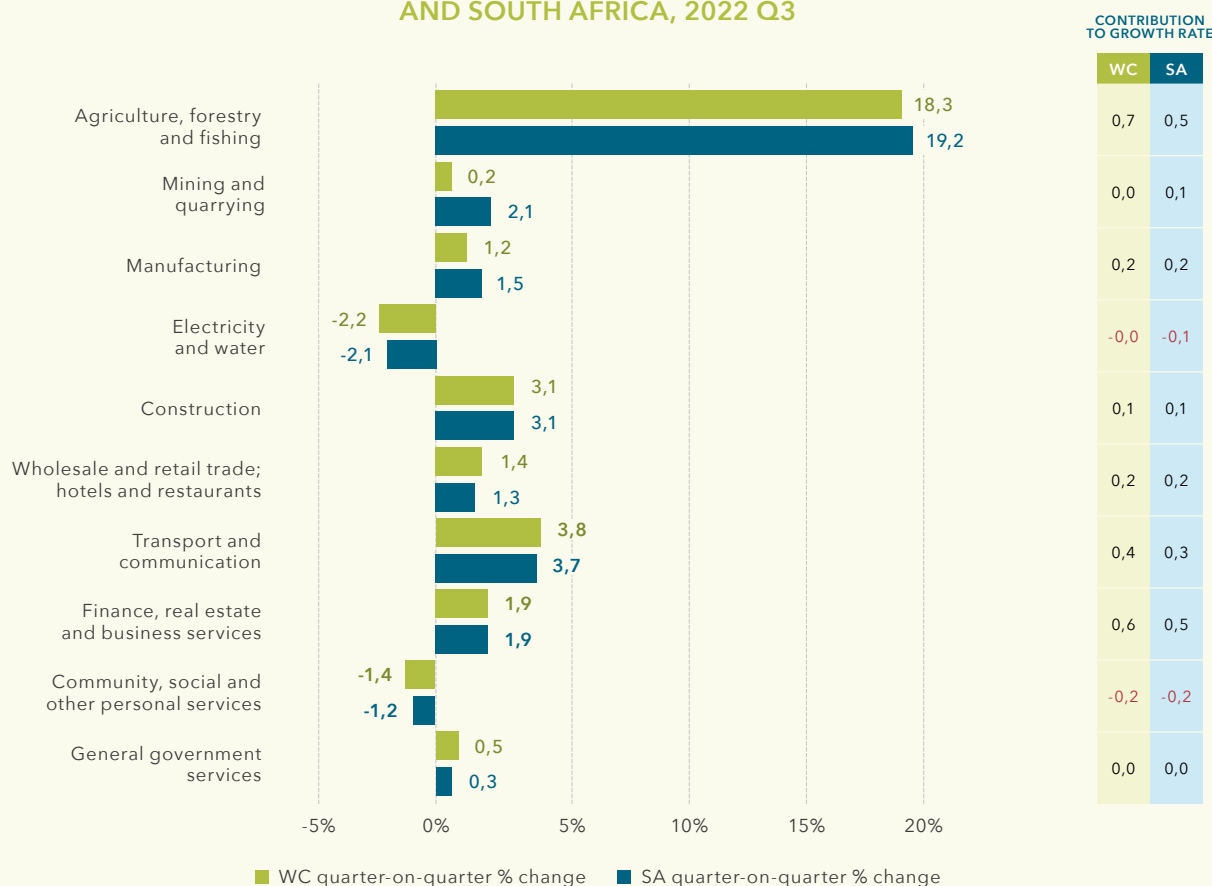
The Western Cape's GDP performance largely mirrored that of the national economy, with similar sectoral trends in the third quarter of 2022. As was the case at the national scale, and following two consecutive quarters of negative growth, the agriculture sector recorded the largest sectoral growth in the province, with 18,3% quarter-on-quarter, and added the most to the provincial growth rate (+0,7 of a percentage point). This was followed by the transport and construction sectors, which recorded quarter-on-quarter growth of 3,8% and 3,1% respectively, and added 0,4 and 0,1 of a percentage point, respectively, to the total provincial growth rate. This also marked the construction sector's return to positive growth, following six consecutive quarters of contractions since the start of 2021.

Further growth was recorded in the finance and business services (1,9%), and trade and hospitality (1,4%) sectors,

which added 0,6 and 0,2 of a percentage point to the total provincial growth rate for the third quarter of 2022. Following a contraction in the previous quarter, manufacturing bounced back with growth of 1,2% quarter-on-quarter, adding 0,2 of a percentage point to the total provincial growth rate. The general government and mining sectors grew by 0,5% and 0,2% quarter-on-quarter in the third quarter of 2022, respectively, and added a combined 0,05 of a percentage point to the total provincial growth rate.

As at the national level, the community and personal services, and electricity and water sectors recorded contractions in the third quarter of 2022, of -1,4% and -2,2% quarter-on-quarter, respectively, subtracting a combined 0,2 of a percentage point from the total provincial growth rate.

FIGURE 3: SECTORAL REAL GDP-R GROWTH RATES IN THE WESTERN CAPE AND SOUTH AFRICA, 2022 Q3



Source: Quantec, 2022.

While the third quarter's positive performance is welcome, it is also useful to compare economic activity to pre-Covid-19 levels, as a way of monitoring economic recovery since the pandemic. As illustrated in table 1, overall economic activity (shown as total GDP) has once again surpassed that of the fourth quarter of 2019. At the sectoral level, however, recovery is still under way. For the third quarter of 2022, the economic output of six sectors exceeded their respective pre-pandemic levels. With the exception of the general government sector, most of the province's sectors have recorded fluctuations in their recovery. The agriculture sector, owing to its food

systems contribution and the rise in demand for healthy produce, has displayed resilience, with output only declining below that of its 2019 Q4 level twice (2021 Q3 and 2022 Q2).

The community and personal services, and trade and hospitality sectors have maintained outputs that are higher than pre-pandemic levels for four and three consecutive quarters, respectively. The third quarter of 2022 marks the breaching of 2019 Q4 output levels for the first time by finance and business services as well as transport.

TABLE 1: WESTERN CAPE'S SECTORAL ECONOMIC ACTIVITY LEVELS, COMPARED TO PRE-COVID-19 PANDEMIC (I.E. 2019 Q4)

	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3
Gross domestic product (GDP)												
Agriculture												
Mining												
Manufacturing												
Electricity and water												
Construction												
Trade and hospitality												
Transport												
Finance and business services												
Community and personal services												
General government												

BASE QUARTER FOR COMPARISON

Legend: Equal to or greater than 2019 Q4 level Less than 2019 Q4 level

Source: Own calculations based on Quantec data, 2022.

Note: 2019 Q4 is the base year, to which all following quarters are compared.

In contrast to its high contribution to the tertiary sector output of the Western Cape, Cape Town's contribution to the province's total primary sector GGP is only 20% (IHS Markit, 2022). This means 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 third quarter of 2022 would have been driven by the performance of the finance, community services and trade sectors, which in 2022, comprised 40%, 19% and 13% of the city's economy, respectively. Given that the finance sector was the second largest positive contributor to economic growth at the provincial level in the third quarter, it is reasonable to assume that Cape Town may have experienced economic growth similar to that of the province in this period.



03





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.

INFLATION OVERVIEW

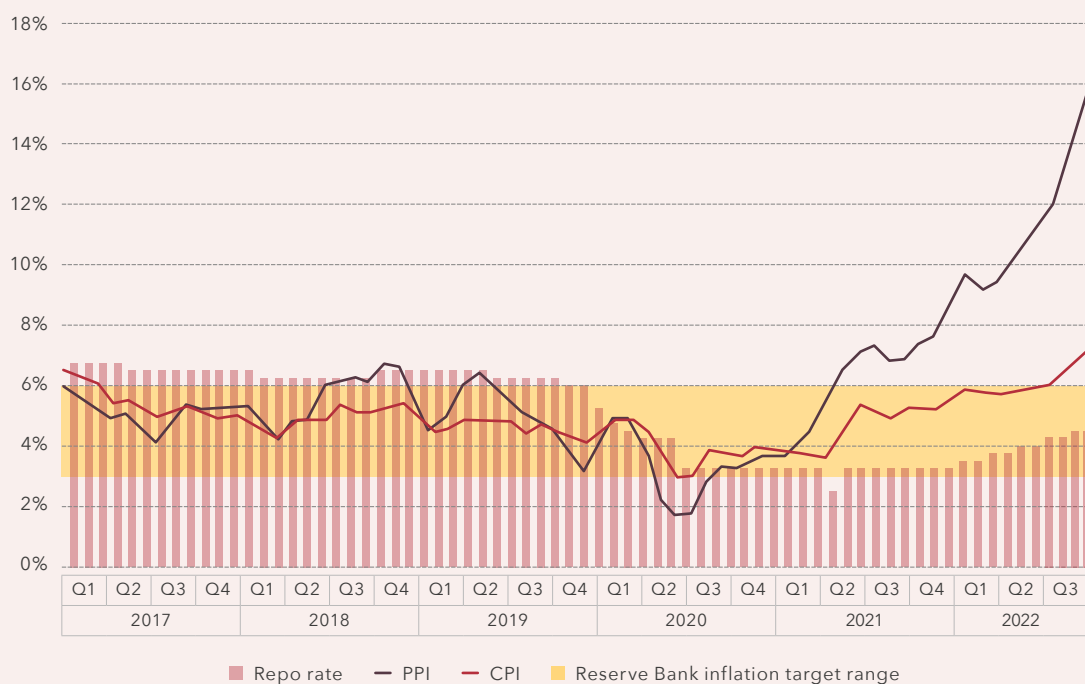
At the end of the third quarter of 2022, the CPI increased to 7,5% compared to the 7,4% recorded at the end of the second quarter. As illustrated in figure 4, the CPI decreased from 7,8% in July to 7,6% in August and further to 7,5% in September. The recording for July is the highest since May 2009 (8,0%), which was itself a 13-year high. The slight downward trend since July could be attributed to the continuous hike in the repurchase rate (repo rate) since November 2021. According to Statistics South Africa (2022), the main contributors to the overall CPI inflation rate for September 2022 included: transport; food and non-alcoholic beverages; housing and utilities; and miscellaneous goods and services.

According to the Monetary Policy Committee (MPC) statement of September 2022 (South African Reserve Bank [SARB], 2022), the headline inflation outlook for 2022 remained the same at 6,5% after being revised upwards from 5,9% at the previous meeting in July 2022. The outlook for 2023 was revised lower to 5,3% from 5,7%, as fuel and food price forecasts are anticipated to be lower for the upcoming years. However, the MPC noted that, despite the recent easing of upward pressure

on food and fuel prices, the continuing Russia-Ukraine war could [still] have a significant impact on global prices. In addition, there are concerns regarding the rise in oil, electricity and administrated prices. As such, the MPC believes that risks to the inflation outlook remain high and it will closely monitor these [upward] risks to inform future decision making.

For the third quarter of 2022, the PPI³ recorded a notable increase to an average of 17%, after averaging 14,7% in the previous quarter. The index recorded monthly readings of 18% in July, decreasing to 16,6% in August and further to 16,3% in September 2022. The PPI recording for July 2022 is the highest since the series started in 2013 (Gous, 2022). In addition, September marks the tenth consecutive month of double-digit readings. The main inflationary contributors to the PPI in September (in terms of final manufactured products) were the prices of: coke, petroleum, chemicals, rubber and plastic products; food products, beverages and tobacco products; and metals, machinery, equipment and computing equipment.

FIGURE 4: CPI AND PPI TRENDS FOR SOUTH AFRICA, JANUARY 2017 TO SEPTEMBER 2022



Source: CPI and PPI, extracted from Statistics South Africa, 2012-2022; repo rate extracted from SARB, 2022.

³ According to Statistics South Africa (2021), the PPI from, and including, January 2021 has been reweighted. Noted, however, is that the reweighting will not affect the calculations of the basket.

Since the fourth quarter of 2020, the gap between the CPI and the PPI has increased significantly from an average of 0,3 of a percentage point to an average of 9,3 percentage points for this quarter, the largest gap to date. The notably higher PPI contributed to CPI increasing beyond the upper end of the inflation target range, indicating the spill-over effect of PPI on CPI.

Figure 4 illustrates changes in the repo rate. As indicated in the graph, the repo rate increased twice during the third quarter of 2022, by a total 150 basis points. This took the repo rate to 6,25% from a previous 5,5% at the start of the quarter, returning it to pre-Covid levels. It would seem that the aggressive approach of continuously increasing the repo rate as a way of addressing rising headline inflation has had its desired effect, as the CPI and PPI

recorded declines at the end of the quarter. According to the MPC statement of September 2022 (SARB, 2022), key reasons for the most recent decision to raise the repo rate further were the increases in headline inflation and the upward pressure on inflation expectations from food and fuel prices, even though some pressure has been alleviated. Further concerns that carried weight in the decision were currency volatility, rising global inflation, the weakening of global economic conditions, as well as expected increases in oil, electricity and administered prices. The MPC further commented that there will be gradual increases in the repo rate going forward; however, the policy will remain accommodative to keep finances supportive for credit demand as the economy continues to recover.

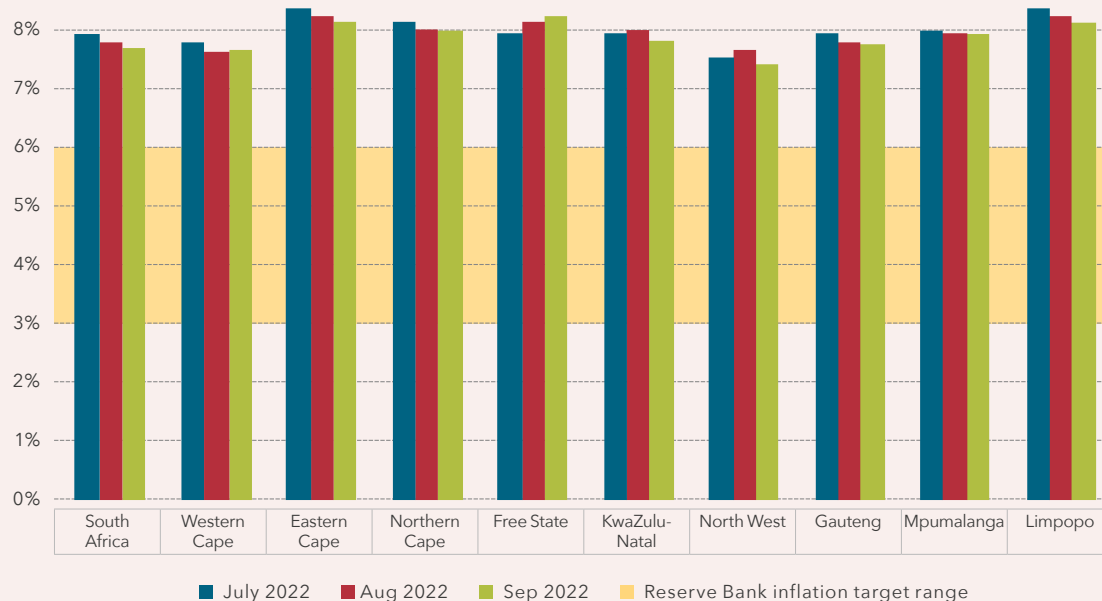
GEOGRAPHICAL INFLATION

The Western Cape recorded an inflation rate of 7,3% at the end of the third quarter of 2022. While this is lower than that of the country, it is higher than the 7,1% recorded at the end of the preceding quarter.

Figure 5 illustrates inflation rates for the third quarter of 2022 across all nine provinces of the country. Compared to the end of the second quarter of 2022, all provinces experienced significant inflationary increases and all

remained well beyond the upper end of the inflation target range. Limpopo recorded the highest inflation rate for the quarter under review, with an average of 8,7%, followed by the Eastern Cape (8,7%) and the Free State (8,5%). Contrary to historical trends, the Western Cape recorded the lowest average inflation rate of 7,4% for the period. This is the third consecutive quarter in which the province has recorded the lowest average inflation rate.

FIGURE 5: CPI INFLATION RATE AT A PROVINCIAL LEVEL, JULY TO SEPTEMBER 2022



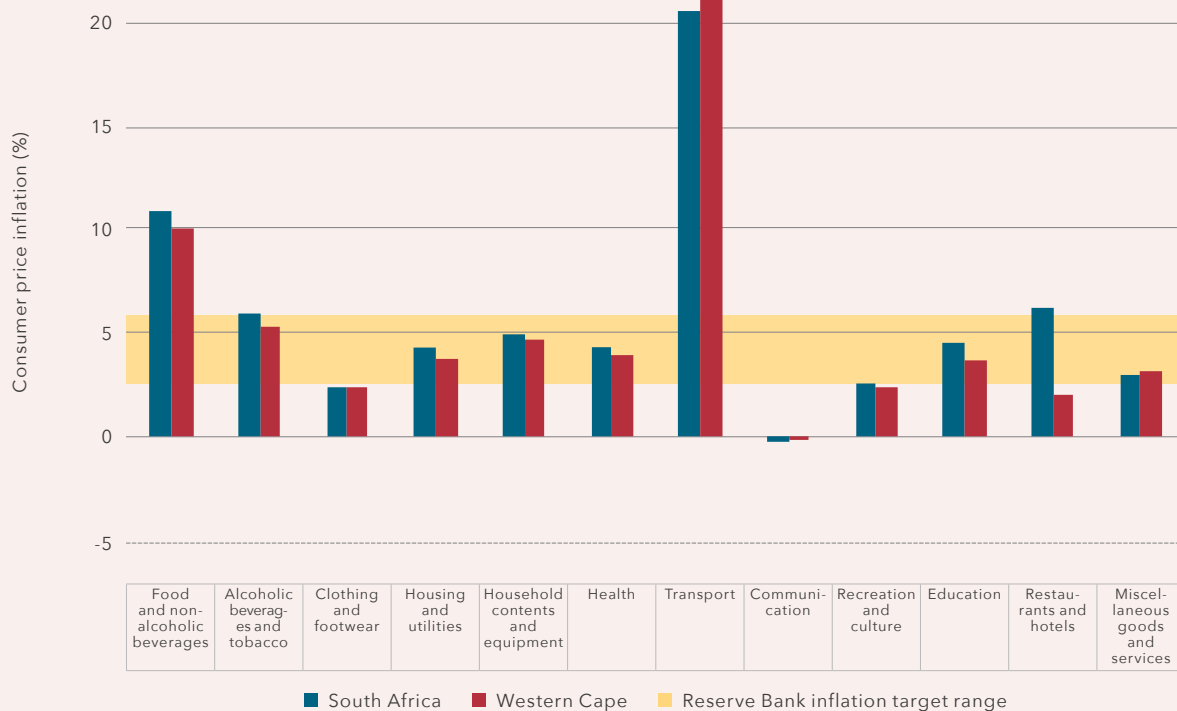
Source: Statistics South Africa, September 2022.

As indicated in figure 6, for both South Africa and the Western Cape, the higher [overall] inflation recordings for the third quarter of 2022 can largely be attributed to transport inflation, which recorded an average inflation rate over 20%, as well as the food and non-alcoholic category, which recorded an average inflation rate above 10%. The majority of the categories showed average inflation rates below 6% for both the country and the province. Education price inflation was the only other category that recorded an average inflation rate above 6% on a national basis, and this was notably higher than that of the province.

The Western Cape recorded a lower average inflation rate in seven of the 12 broad categories, when compared to that seen at national level. This explains the lower [overall] inflation rate recorded for the province.

Transport price inflation was 18,1% at a national level and slightly higher at a provincial level (18,2%) for September 2022. It must be noted that transport price inflation recorded decreases for both the country and province when compared to the start of the third quarter. This was largely driven by [its sub-category of] fuel price inflation for both the country and province. Fuel price inflation for September was slightly higher at a national level (34,1%) compared to 34% at a provincial level. According to Statistics South Africa (2022a), the fuel price decreased by 6,4% between July and September, which allowed the fuel price inflation rate to slow from a high of 56,2% in July for the country (58,1% for the province) down to 34,1% in September (down to 34% for the province).

FIGURE 6: AVERAGE CONSUMER PRICE INFLATION FOR THE WESTERN CAPE AND SOUTH AFRICA, 2022 Q3

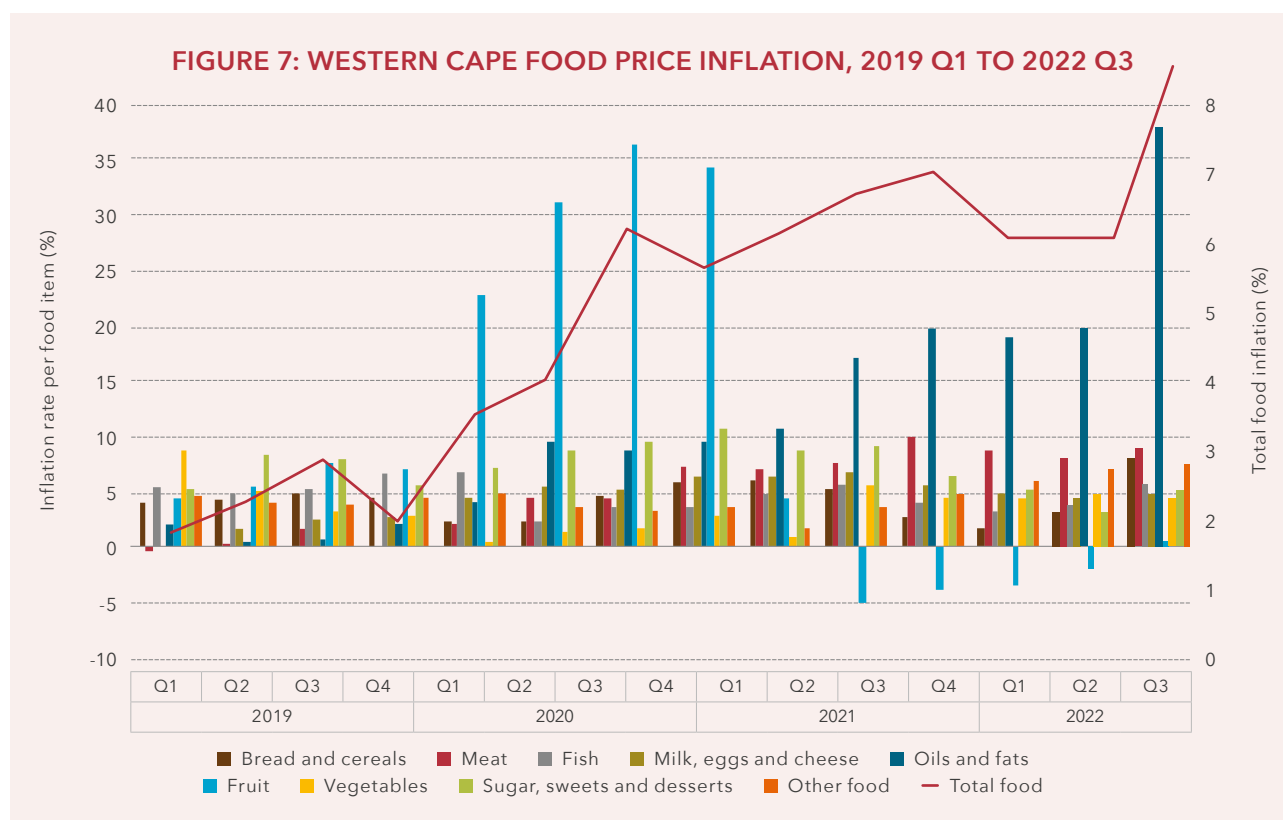


Source: Statistics South Africa, September 2022.

WESTERN CAPE FOOD INFLATION

Tracking and monitoring food price changes have become increasingly important as household income levels continue to face increasing pressures, which further threaten their access to food. Figure 7 tracks food price inflation in the Western Cape, which has been displaying an upward trend since the beginning of 2020. In the third quarter of 2022, food price inflation was higher compared

to the corresponding period a year ago, averaging 9,9% (compared to 11,3% nationally). For this quarter, eight of the nine food items recorded increases when compared to the previous quarter of 2022. The food items that demonstrated the highest average inflation rates in the third quarter of 2022 were oils and fats (30,7%) as well as bread and cereals (15,7%).



Source: Statistics South Africa, September 2022.

According to the Bureau for Food and Agricultural Policy's (BFAP) statement for September 2022, key drivers of upward movements of price inflation for oils and fats, as well as bread and cereals, are surges in global grain and oilseed prices, aggravated in the local context by a weakening exchange rate. In addition, South Africa trades at export parity for key sub-categories of the main drivers such as maize, sunflower, soybeans and canola. Essentially, this means that surplus production is keeping local prices low and that upward inflationary pressure is driven by: global prices; the weak exchange rate; and increasing input costs, such as transport, electricity and wages (BFAP, 2022).

The rise in global prices is largely attributed to the Russia-Ukraine war. According to a Competition Commission South Africa (2022) report, Russia and Ukraine are two of the world's largest exporters of wheat, corn and oil. They account [jointly] for nearly 20% of wheat and 30% of maize supply, as well as supplying more than 75% of sunflower oil to the international market. The conflict between the two countries has hindered their exports and, consequently, increased the logistical costs thereof. This has had the knock-on effect of raising global prices of these food items.

04





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 considered in this section.

CAPE TOWN'S LABOUR MARKET PERFORMANCE

Cape Town's working-age population increased to 3,1 million individuals in the third quarter of 2022 when compared to the previous quarter, while the labour force (2,1 million individuals) experienced a decrease of 35 792 individuals. Both the working-age population and labour force recorded increases when compared to the same period in 2021. Employment increased on both a quarter-on-quarter (up by 41 575 individuals) and year-on-year (up by 80 820 individuals) level, recording a total of 1,54 million employed individuals at the end of the quarter. This took employment closer to pre-Covid-19 levels and led to an increase in the labour absorption rate from 48,0% in the previous quarter to 49,1% for this quarter. The labour force participation rate decreased to 67,1% when compared to the previous quarter (68,6%).

Both rates recorded increases when compared to the third quarter of 2021.

The number of discouraged work seekers increased on a quarter-on-quarter basis (up by 13 250 individuals) to a total of 27 391 individuals at the end of the third quarter of 2022. The increase in employment, and the decrease recorded in the searching-unemployed category, outweighed the net increases in the non-searching category, leading to a lower broad unemployment rate of 29,5% from a previous 31,3% in the second quarter of 2022. At 29,5%, Cape Town's broad unemployment rate remained lower than any of the other metropolitan municipalities (metros) in South Africa.

TABLE 2: CAPE TOWN LABOUR MARKET INDICATORS, 2022 Q3 VERSUS 2022 Q2 AND 2021 Q3

	RECORDED			QUARTER-ON-QUARTER CHANGE	YEAR-ON-YEAR CHANGE
	2022 Q3	2022 Q2	2021 Q3	(vs 2022 Q2)	(vs 2021 Q3)
Working-age population	3 133 301	3 119 482	3 075 025	13 818	58 276
Broad labour force	2 184 011	2 180 605	2 088 071	3 407	95 940
Strict labour force	2 103 454	2 139 246	2 012 788	- 35 792	90 666
Employed: Total	1 539 223	1 497 648	1 458 402	41 575	80 820
Employed: Formal sector	1 301 511	1 269 330	1 242 293	32 182	59 219
Employed: Informal sector	158 263	154 418	126 414	3 845	31 849
Unemployed (strict)	564 231	641 598	554 386	- 77 367	9 845
Not economically active	1 029 847	980 237	1 062 237	49 610	- 32 390
Discouraged work seekers	27 391	14 140	26 998	13 250	393
Other not economically active	1 002 457	966 097	1 035 239	36 360	- 32 783

Source: Statistics South Africa, Quarterly Labour Force Survey, 2022 Quarter 3, November 2022.

EMPLOYMENT COMPARISON OF METROS

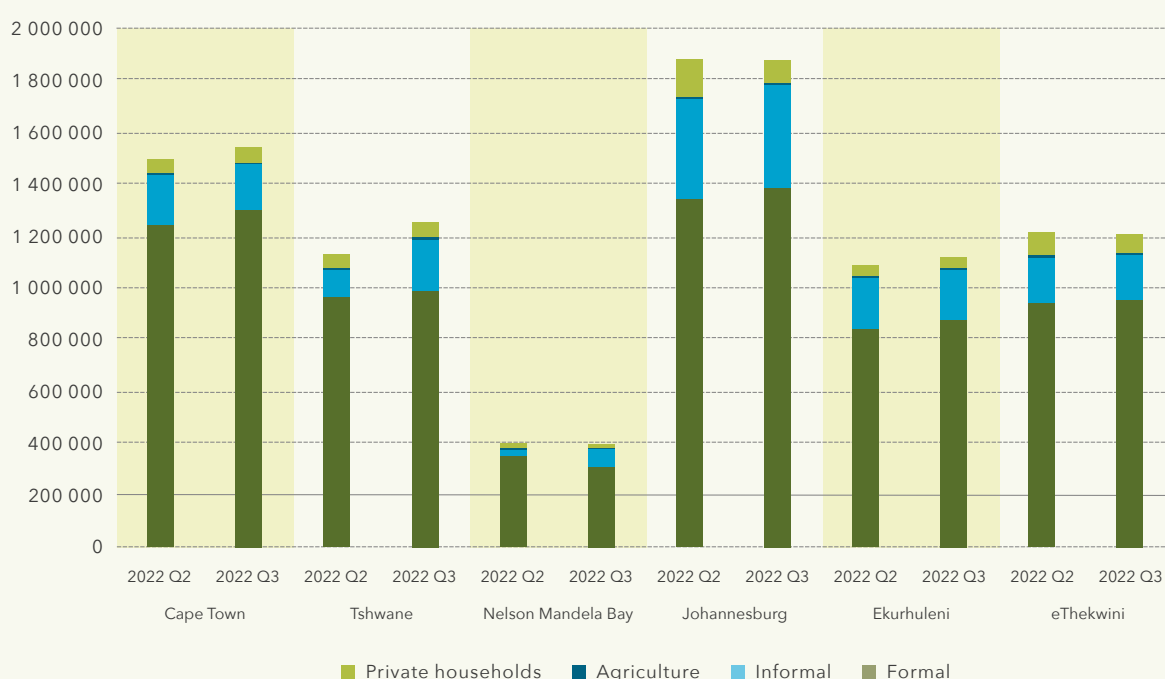
When measuring Cape Town's job creation performance, a comparison with other metros⁴ in the country is helpful. In the third quarter of 2022, Cape Town continued to have the second highest number of employed people, at 1,54 million individuals. This is second only to Johannesburg, where 1,91 million people were employed. This is to be expected, as Johannesburg has a significantly larger population than Cape Town.

As can be seen in figure 8, when compared to the previous quarter, the majority of the metros used in the comparison recorded an increase, while two metros displayed negative employment growth. Tshwane added the most to employment (48 603 jobs) followed by Cape Town (41 575 jobs) and Ekurhuleni (34 092 jobs). eThekweni recorded the largest decrease, shedding 2 456 jobs, followed by Nelson

Mandela Bay, which recorded a minimal drop of 79 jobs.

In Cape Town, formal employment increased strongly quarter-on-quarter (up by 32 182 individuals) and year-on-year (up by 59 219 individuals), to record 1,3 million individuals for this quarter. Similarly, informal employment increased on both a quarter-on-quarter (up by 3 845 individuals) and year-on-year (up by 31 849 individuals) level, to a total of 158 263 individuals. The agriculture sector recorded employment losses (down by 5088 individuals), while private households recorded employment gains (up by 10 636 individuals) when compared to the second quarter of 2022. Discouragingly, both recorded employment losses when compared to the third quarter of 2021.

FIGURE 8: EMPLOYMENT COMPARISON WITH OTHER METROS BY MAJOR SECTOR, 2022 Q2 VERSUS 2022 Q3



Source: Statistics South Africa, Quarterly Labour Force Survey, 2022 Quarter 3, November 2022.

⁴ This comparison does not include all South African metro cities.

UNEMPLOYMENT IN CAPE TOWN

The number of (searching) unemployed people in Cape Town decreased on a quarter-on-quarter level (down by 77 367 individuals) and increased on a year-on-year level (by 9 845 individuals) to record a total of 564 231 individuals at the end of this quarter. The increase recorded in employment and the decrease recorded in unemployment resulted in a significantly lower strict unemployment rate (26,8%) when compared to the previous quarter (30%). The strict unemployment rate is, also, lower by 0,7 of a percentage point when compared to the third quarter of 2021 (27,5%).

The youth unemployment rate in Cape Town, defined as the strict unemployment rate for individuals aged 15 to 24, was estimated at 51,2% in the third quarter of 2022, having decreased from 55,4% in the second quarter. The figure also decreased year-on-year from the 58,1% recorded in the third quarter of 2021. While this remains below the

national youth unemployment rate of 59,6% recorded in the third quarter of 2022 (decreasing from 61,4% on a quarter-on-quarter basis), it is nonetheless notably high by average developing country standards and continues to pose a key challenge for economic policymakers in the city.

While comparisons of Cape Town's unemployment trends with those of the country as a whole are important, it is perhaps more relevant to compare these Cape Town trends to other metros that have similar labour market dynamics (see table 3). On a quarter-on-quarter basis, Cape Town had the lowest broad unemployment rate at 29,5% (down from a record high of 31,3% in 2022 Q2), while eThekweni had the lowest strict unemployment rate at 21,8% (down from 22,5% in 2022 Q2) when compared to all the other metros.

TABLE 3: UNEMPLOYMENT RATE⁵ COMPARISON OF METROS, 2022 Q3 VERSUS 2022 Q2 AND 2021 Q3

METRO	OFFICIAL (STRICT)			EXPANDED (BROAD)		
	2022 Q3	2022 Q2	2021 Q3	2022 Q3	2022 Q2	2021 Q3
Cape Town	26,8%	30,0%	27,5%	29,5%	31,3%	30,2%
eThekweni	21,8%	22,5%	21,8%	34,7%	37,9%	39,6%
Ekurhuleni	31,5%	33,1%	33,7%	39,5%	43,0%	42,1%
Johannesburg	33,5%	34,6%	40,8%	37,6%	38,6%	46,7%
Nelson Mandela Bay	33,6%	34,7%	40,7%	35,5%	36,5%	40,8%
Tshwane	34,2%	34,7%	36,1%	37,5%	38,6%	39,6%

Source: Statistics South Africa, Quarterly Labour Force Survey, 2022 Quarter 3, November 2022.

Encouragingly, all the metros experienced a decrease in their strict and broad unemployment rates when compared to the previous quarter of 2022. On a quarter-on-quarter basis, Cape Town recorded the largest decrease in its strict unemployment (down by 3,2 percentage points to 26,8%) while Ekurhuleni recorded the largest decrease in its broad unemployment rate (down by 3,5 percentage points to 39,5%). On a year-

on-year basis, both Cape Town's strict and broad unemployment rates improved marginally when compared to the same period in 2021 (down by 0,7 and 0,6 of a percentage point, respectively).

Among the metros, Nelson Mandela Bay recorded the lowest difference between its two rates of unemployment (1,8 percentage points), while eThekweni recorded the

⁵ The 'strict' definition of unemployment includes only people who are actively seeking work. The 'broad' definition of unemployment includes those under the 'strict' definition as well as 'discouraged' and other 'non-searching' job seekers.

largest difference, 13 percentage points. Cape Town had a difference of 2,7 percentage points (second lowest) between the two rates of unemployment, which can be

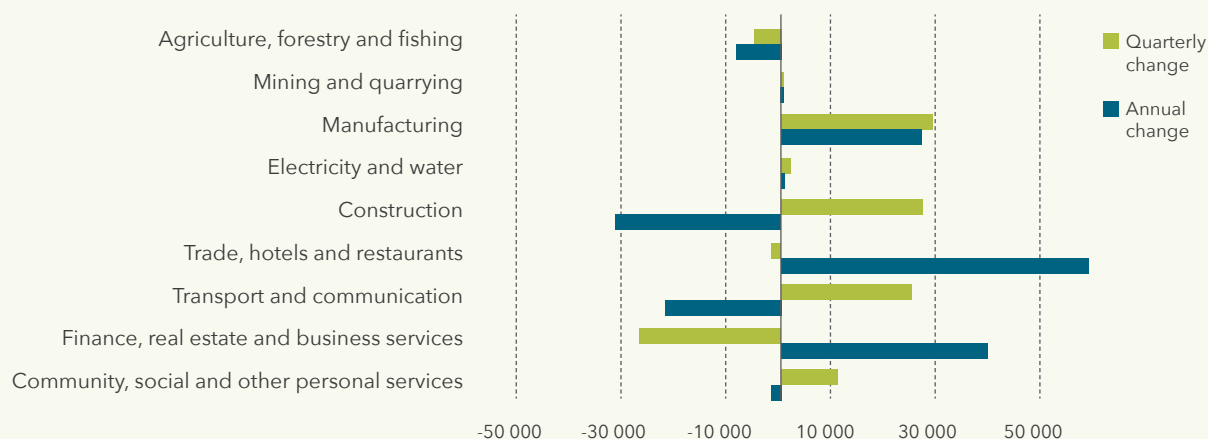
attributed to the city having a relatively smaller number (although increasing) of discouraged work seekers than the other metros.

SECTOR EMPLOYMENT TRENDS FOR CAPE TOWN

Figure 9 presents the change in the level of employment by sector in Cape Town in the third quarter of 2022, compared to the previous quarter and the same period of 2021. On a quarter-on-quarter basis, six sectors recorded employment gains, whereas four sectors recorded employment losses, when compared to the second quarter of 2022. The manufacturing sector (up by 28 566 jobs) added the most to total employment, followed by the construction (up by 27 285 jobs), and transport and communication (up by 24 151 jobs) sectors. Strong contributions to employment growth were also made by the private household sector (up by 10 636 jobs), with minimal employment gains recorded in the electricity and water (1 688 jobs added), and mining and quarrying (1 036 jobs added) sectors. The finance, real estate and business services sector shed the most jobs (down by 26 243 jobs), followed by the community, social and other personal services sector (down by 21 990 jobs). Negative employment growth was also observed within the agriculture, forestry and fishing, as well as trade, hotels and restaurants sectors, down by 5 088 and 798 jobs, respectively.

Six sectors have shown signs of sustained recovery, recording year-on-year employment gains when compared to the same quarter of 2021. In contrast, four sectors displayed negative employment growth when compared to the same period. Encouragingly, the trade, hotels and restaurants sector added the most to employment growth (up by 61 878 jobs), followed by the community, social and other personal services sector (up by 40 062 jobs). Furthermore, strong employment gains were recorded in the manufacturing (up by 27 381 jobs), as well as finance, real estate and business services (up by 9 156 jobs) sectors. In addition, the mining and quarrying, as well as the electricity and water sectors, added minimally to employment (up by 1 036 and 992 jobs, respectively). In contrast to their strong quarterly performance, the construction sector recorded the largest drop in employment (down by 31 192 jobs), followed by transport and communication (down by 21 571 jobs). Employment losses were also recorded in the agriculture, forestry and fishing (down by 9 141 jobs), as well as private household (down by 1 107 jobs) sectors.

FIGURE 9: QUARTERLY AND ANNUAL CHANGE IN EMPLOYMENT PER SECTOR FOR CAPE TOWN, 2022 Q3



Source: Statistics South Africa, Quarterly Labour Force Survey, 2022 Quarter 3, November 2022.

05





INFRASTRUCTURE AND TRADE

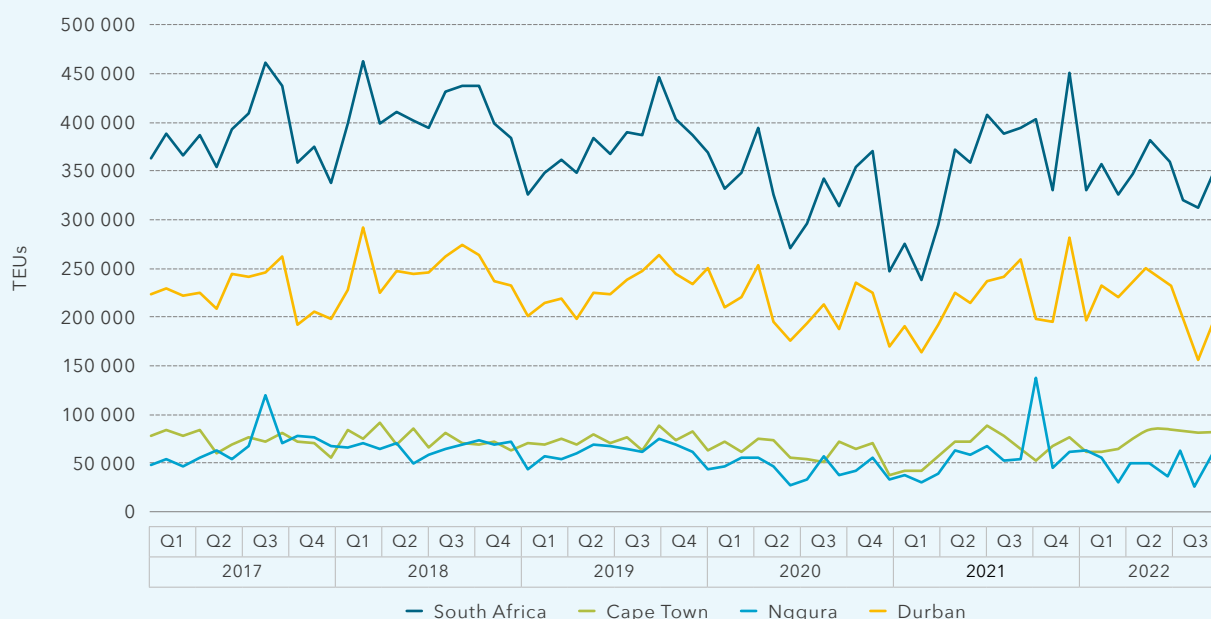
Cape Town is often cited as the gateway to South Africa and Africa. This status is sustained by the city's well-developed transportation infrastructure, including having South Africa's second-busiest airport, as well as (historically) its second-busiest container port. This section reviews infrastructure developments in relation to Cape Town's port and airport.

CONTAINER TRAFFIC

Container traffic demonstrates an erratic trend, as shown in figure 10. As such, it is best to compare the total number of containers handled, as measured in twenty-foot equivalent units (TEUs),⁶ over the period of a year. The Port of Durban⁷ remained the largest container

handling port in South Africa, handling a total of 742 546 TEUs in the third quarter of 2022, which accounted for 60,7% of all containers handled in the country. It was followed by the Port of Cape Town (19,1%) and the Port of Ngqura⁸ (13,7%).

FIGURE 10: TOTAL CONTAINERS HANDLED (NATIONALLY), 2017 Q1 TO 2022 Q3



Source: Transnet National Ports Authority, December 2022.

As shown in table 4, the total number of containers handled at South African ports increased on a year-on-year basis. Containers handled nationally increased marginally by 3,2%, from 1 184 687 TEUs in the third quarter of 2021 to 1 223 133 TEUs in the third quarter of 2022. The Port of Cape Town experienced a notable

year-on-year increase, from 196 465 TEUs in the third quarter of 2021 to 234 009 TEUs in the third quarter of 2022, reflecting a year-on-year increase of 19,1%. The Port of Durban recorded a year-on-year increase of 9,9%, while the Port of Ngqura recorded a significant decline of 31,9% when compared to the third quarter of 2021.

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

⁷ The Port of Durban is located in the eThekweni metro.

⁸ The Port of Ngqura is located in the Nelson Mandela Bay metro.

**TABLE 4: COMPARISON OF TOTAL CONTAINERS HANDLED (IN TEUs),
2022 Q3 VERSUS 2022 Q2 AND 2021 Q3**

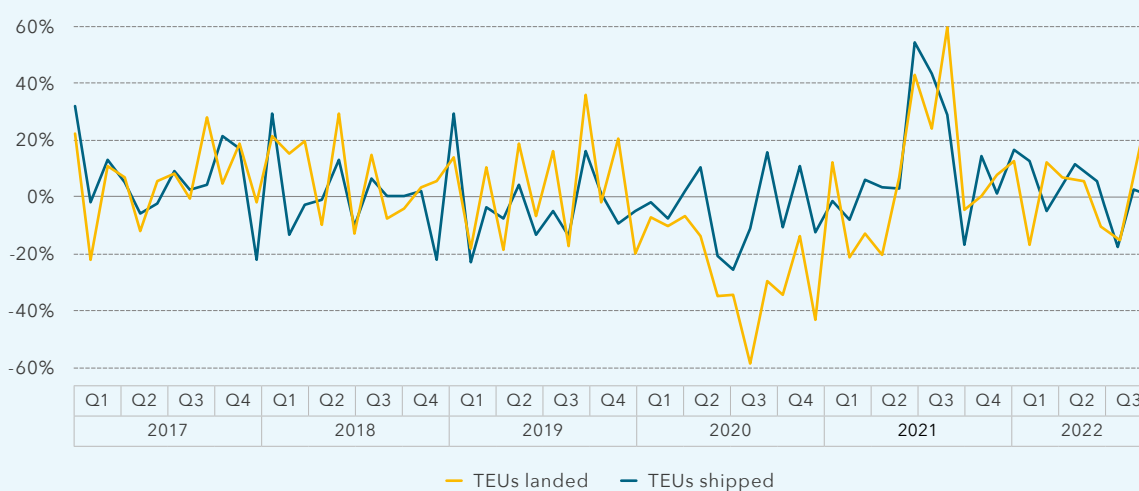
	2022 Q3	2022 Q2	2021 Q3	YEAR-ON-YEAR CHANGE
South Africa	1 223 133	1 037 314	1 184 687	3,2%
Cape Town	234 009	232 012	196 465	19,1%
Durban	742 546	592 469	675 869	9,9%
Ngqura	167 180	166 887	245 632	-31,9%

Source: Transnet National Ports Authority, December 2022.

The Port of Cape Town recorded a year-on-year increase of 7,3% in TEUs landed, from 61 782 TEUs in the third quarter of 2021 to 66 308 TEUs in the third quarter of 2022. The number of TEUs shipped continued to decrease, for a third consecutive quarter, by 29,5% from 82 649 TEUs in the third quarter of 2021 to 58 304 TEUs in the third quarter of 2022. When compared to

pre-pandemic levels, the current quarter's performance remains notably lower. While local businesses continue to cite operational inefficiencies at the Port of Cape Town as a challenge and business constraint (CCT, 2022b), muted container shipping may also be attributed to constrained economic recovery, which is further dampened by continuing geo-political tensions.

**FIGURE 11: ANNUAL CHANGE IN FULL TEUs HANDLED AT THE PORT OF CAPE TOWN,
2017 Q1 TO 2022 Q3**



Source: Transnet National Ports Authority, December 2022.



CAPE TOWN TRADE

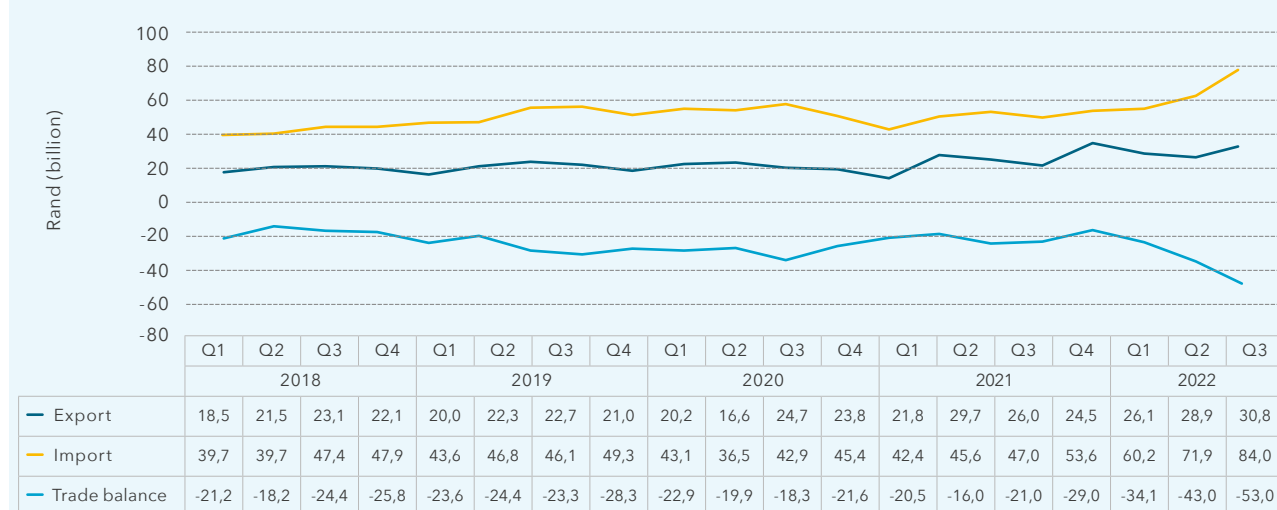
In the third quarter of 2022, quarterly exports increased, while imports increased by a greater proportion. Figure 12 shows the quarterly trade balance for Cape Town. Exports increased by 6,7% quarter-on-quarter to R30,8 billion and imports increased by 16,3% to R84 billion. Imports are consistently reaching the highest levels recorded in Cape Town due to rising prices, particularly of oil and fertiliser. Higher prices, coupled with diminished local refining capacity, has led to the significant increase in the trade deficit from -R21 billion in the third quarter of 2021 to -R53 billion in the third quarter of 2022.

The largest quarterly growth in exports was for citrus fruit – impacted by seasonal trends – followed by antiques, which have a high quarterly variance, depending on what is sold. The largest year-on-year growth in Cape Town's exports

was seen in energy products such as coal and refined petroleum. Refined petroleum was the second highest value-export from Cape Town in the third quarter of 2022, worth R3,5 billion, after citrus (R5,3 billion). Cape Town's largest import product is also refined petroleum, worth R41,9 billion. Major source markets include the United Arab Emirates (25%), Oman (22%) and India (18%).

The value of exports increased by 18,8% and imports grew by 78,6%, when compared to quarter 3 of 2021. Large year-on-year value increases were seen in imports of nitrogenous fertilisers (850%) and other fertilisers (165%), as the war in Ukraine continues to place strain on global supply, putting upward pressure on prices. Russia and the Ukraine typically supply just over a quarter of all fertiliser globally.

FIGURE 12: CAPE TOWN'S TRADE BALANCE, 2018 Q1 TO 2022 Q3



Source: Quantec, 2022.

Cape Town's top 10 exports in the third quarter of 2022, shown in table 5, account for around half (50,7%) of total exports. When compared to the third quarter of 2021, the largest year-on-year increase in the top 10 exports was for coal, briquettes and ovoids. As coal is not mined locally, it is transported via road and shipped from the Port of Cape Town, when demand and global prices are high. This has occurred frequently since the war in Ukraine, as European markets shift away from Russian coal and gas supply (IOL, 2022). Coal prices reached their highest levels in August 2022, when the South African export market's coal price rose to USD332 per metric tonne (Quantec, 2022). Refined petroleum exports also had high year-on-year increases in the third quarter of 2022 (70,8%) as prices averaged around

USD103 per barrel, up by 43% from the third quarter of 2021. Around 8% of Cape Town's imported petroleum is re-exported to SACU and other African countries and used or 'exported' as fuel for ships and aircrafts.

Citrus remained in the top three export products, with a year-on-year increase of 24,1%, while apples and pears grew by 7,3%. Thankfully, citrus season came to an end shortly before the Transnet strikes that stalled exports in the subsequent (fourth) quarter. Wine exports increased by 6,6% year-on-year to gain a place in the top 10, among other luxury goods such as jewellery with precious metal and beauty products. Top destination markets for wine include the United Kingdom (28%), the United States (13%) and France (8%).

TABLE 5: CAPE TOWN'S TOP 10 EXPORTS, 2022 Q3

CAPE TOWN'S TOP EXPORT CATEGORIES FOR 2022 Q3 (HS 4) ⁹	ZAR MILLION	% OF TOTAL EXPORTS	YEAR-ON-YEAR CHANGE (VS 2021 Q3)
Citrus	R5 358,99	17,4%	24,1%
Refined petroleum oils	R3 311,08	10,7%	70,8%
Coal, briquettes and ovoids	R2 311,00	7,5%	1 131,7%
Apples and pears	R1 154,18	3,7%	7,3%
Engine parts	R694,59	2,3%	0,5%
Antiques	R674,39	2,2%	37,2%
Jewellery with precious metal	R664,02	2,2%	14,9%
Beauty and make-up	R543,27	1,8%	-2,2%
Fish fillets	R474,33	1,5%	4,4%
Wine	R449,91	1,5%	6,6%
Total of top 10 export categories	R15 635,76	50,7%	
Total of ALL products	R30 840,85	100,0%	18,8%

Source: Quantec, own calculations, November 2022.

Note: Only the top 10 exports at an HS4 level are shown in the table above.

⁹ At the international level, the Harmonized System is a six-digit code system for the classification of products; it allows for the trading of goods on a common basis for customs purposes.



AIRPORT STATISTICS

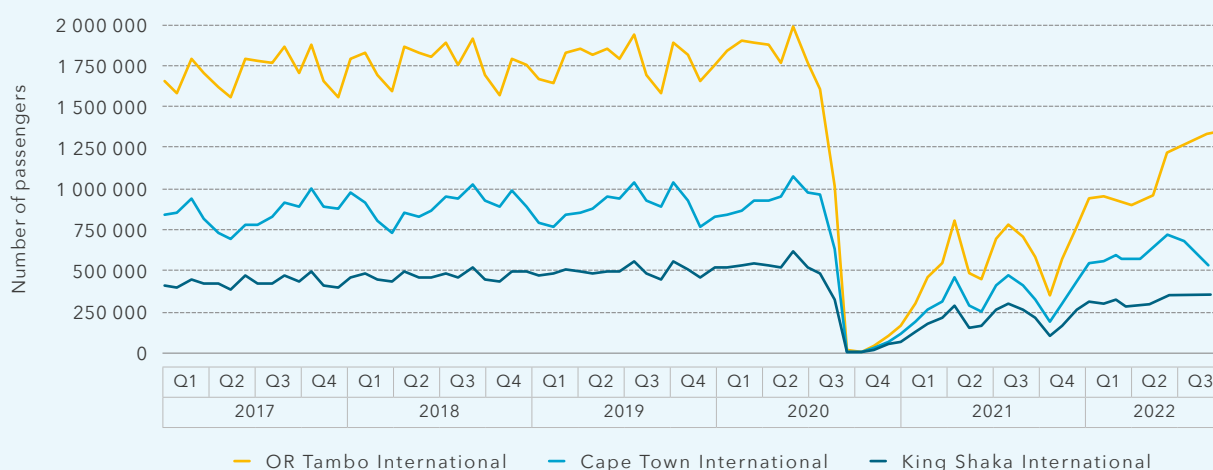
Cape Town International Airport is South Africa's second-busiest airport, after OR Tambo International Airport in Johannesburg. It recorded 1,9 million total passenger movements (arrivals and departures) in the third quarter of 2022, compared to 3,9 million passenger movements at OR Tambo International and 1 million at King Shaka International during the same period.

To account for seasonal trends, passenger statistics are best analysed on a year-on-year basis. For the third quarter of 2022, all three international airports recorded positive year-on-year performances. Total passenger movements at Cape Town International in the third quarter of 2022 increased by 101,2% year-on-

year, representing a total of 933 897 more passenger movements than observed in the third quarter of 2021. OR Tambo International's total passenger movements saw a year-on-year increase of 128,6% (2 172 841) in the third quarter of 2022, while King Shaka International saw a year-on-year increase of 91,9% (486 930).

Due to the significant disruption to air travel in 2020 as a result of the Covid-19 pandemic, and the subsequent slow recovery of the travel and associated industries, the year-on-year performances remain relatively amplified. When compared to the same period in 2019,¹⁰ air passenger movements remain, on average, 32,5% lower than pre-pandemic levels, which is illustrated in figure 13.

FIGURE 13: TOTAL (MONTHLY) PASSENGER MOVEMENTS AT SOUTH AFRICA'S MAJOR AIRPORTS, 2017 Q1 TO 2022 Q3



Source: Airports Company South Africa, December 2022.

Passenger arrivals have largely returned to pre-pandemic trends, with 30% of total passenger arrivals constituting international arrivals in the third quarter of 2022, and 66,5% domestic arrivals. The muted [total] air passenger movements could thus be indicative of the lingering effects of the pandemic on travel and associated

industries. This includes the Meetings, Incentives, Conferences and Exhibitions (MICE) industry, which has been negatively affected by the enduring popularity of online and hybrid meeting and event models, and the delay in the full recovery of the recreational tourism sector.

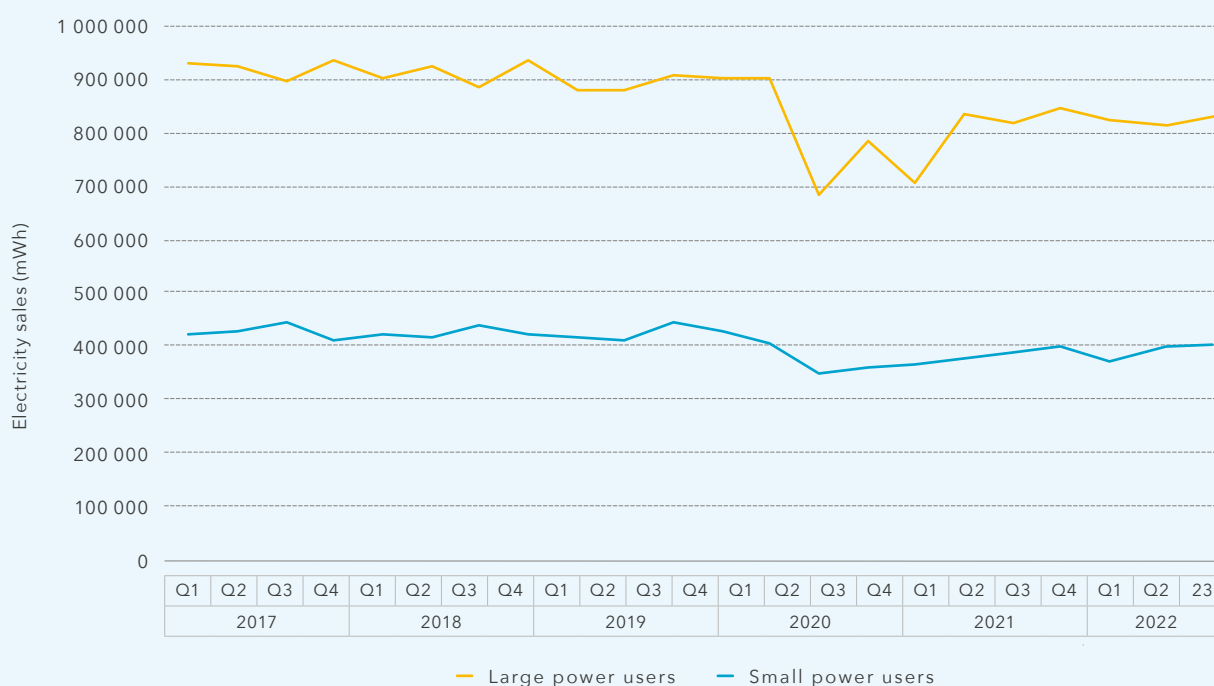
¹⁰ South Africa's lockdown commenced on 15 March 2020.

COMMERCIAL AND INDUSTRIAL ELECTRICITY USAGE

Electricity is an important driver of economic activity as it is a key input in most production processes. This is especially true in economies with greater proportions of secondary and tertiary sector activities, such as those of

South Africa and Cape Town. Consumption of electricity by large power users (LPUs) and small power users (SPUs) is therefore a good indicator of production levels in the manufacturing sector.

FIGURE 14: CAPE TOWN'S COMMERCIAL ELECTRICITY USAGE, 2017 Q1 TO 2022 Q3



Source: Electricity Generation and Distribution, CCT, November 2022.

Following an increase in the previous quarter, electricity sales to LPUs declined by 2,0%, on a quarter-on-quarter basis, in the third quarter of 2022. According to the Council for Scientific and Industrial Research (2022), there was more load-shedding from July to September 2022 than in any full year since Eskom started implementing it in 2007. This contributed to the decrease in electricity sales to LPUs in the third quarter of 2022. However, the City's electricity sales to SPUs increased by 1,3% quarter-on-quarter despite the continued load-shedding,

indicating that some businesses could have adapted to the energy constraints while also benefiting from the City's efforts to reduce the extent of Eskom's reduction in power availability.

Electricity sales to LPUs in the third quarter of 2022 were also lower than in the corresponding period in 2021. LPUs recorded a decrease in electricity sales of 2,2% year-on-year, while electricity sales to SPUs grew by 0,9% year-on-year.

06





TOURISM

Owing to its unique location and geology, Cape Town is one of the most scenic and recognisable cities in the world. The city boasts an abundance of world-class attractions. The combination of scenic appeal, excellent service standards and a well-developed hospitality sector underpins a historically robust tourism industry within the city. This industry remains important for the local economy, not just because of its potential role in job creation – being one of the most labour-intensive industries in Cape Town – but also for its catalytic influence on other industries such as the real estate sector, creative industry and transport sector.

TOURISM

Cape Town is a well-known domestic and international tourist destination, and the city's tourism sector is a valuable contributor to the local and national economy. However, tourism was one of the hardest hit industries by the Covid-19 pandemic. While travel restrictions around the world have eased, tourism activity levels and trends have not fully recovered.

At the outset, local data collection remains a challenge. Cape Town Tourism's (CTT) Cape Town Accommodation Performance Review and Forecast Report continues to record low survey participation rates.¹¹ This may be attributed to lower membership levels, subsequently impacted by establishment closures, as well as constrained resources. The Cape Town Accommodation Performance Reviews (CTT, 2022a; CTT, 2022b), covering the months of August and September 2022, had an average response rate of 39 tourism accommodation establishments, of which the majority are based in the Cape Town metropolitan area. No report is available for July 2022.¹²

During the third quarter of 2022, the surveyed establishments recorded an average occupancy rate of 59,5%. This is on par with the recorded forecast demand for the period and, encouragingly, notably higher than that reported in the third quarter of 2021 (34,2%). Similarly, the average room rate (R1 765) and revenue per room rate (R1 049) also met the forecasted demand and recorded higher figures than in the previous year. They also increased to close to pre-pandemic levels, albeit against a backdrop of higher inflation and operational costs.

Demand for accommodation during the third quarter of 2022 continued to be driven by the domestic market, which accounted for an average of 59% of room nights sold. While demand from travellers from within Africa

increased in August, it nearly halved in comparison by September, thus making it difficult to draw inferences for future trends. Encouragingly for the tourism sector, more than half of travellers noted leisure as the main purpose for their travel.

The slow recovery in the tourism sector is not isolated to South Africa or the local economy. According to the World Travel and Tourism Council's Travel & Tourism Economic Impact 2022, which looks at global trends within the industry, recovery has been "slower than expected". This is attributed to the continued negative impact of travel restrictions and differences in such restrictions across countries, as well as logistical impacts as a result of the Russia-Ukraine war. Despite the setbacks, the report notes that the industry remains resilient, with a positive outlook.

Continued recovery is further evident in visitor statistics. During the third quarter of 2022, Cape Town's five major tourist attractions¹³ recorded a total of 528 632 visits. While this remains 37,8% lower than pre-pandemic levels (recorded in 2019 Q3), this quarter's performance showed an improvement of 118,2% when compared to the same period in 2021.

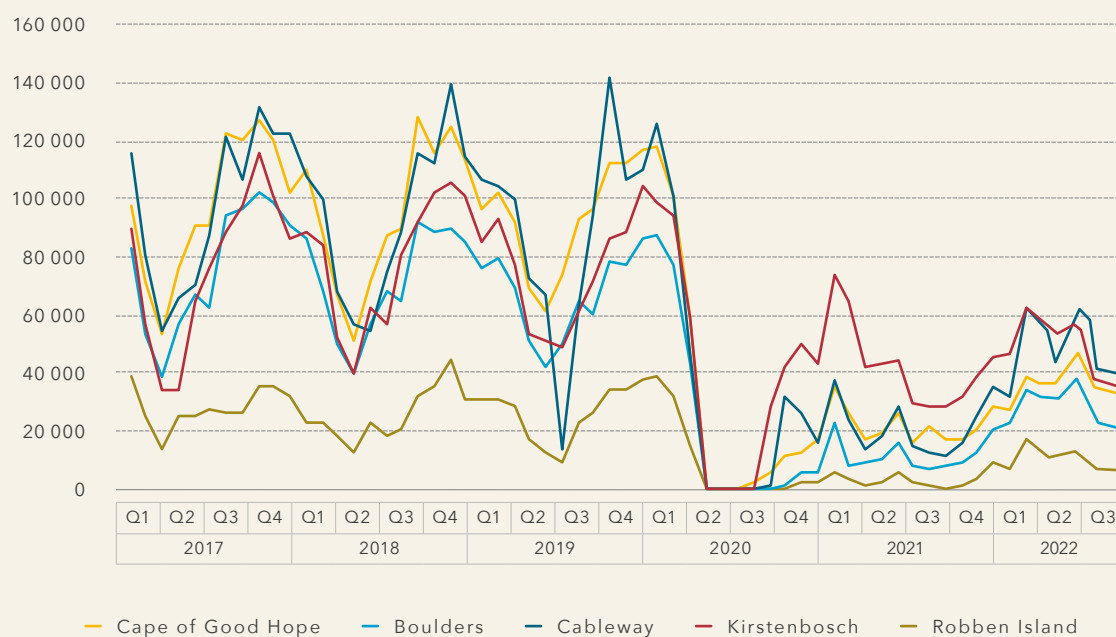
In the third quarter of 2022, the Cape of Good Hope recorded the highest number of visits (156 268), showing a year-on-year improvement of 184,6%. This was followed by Kirstenbosch National Botanical Gardens, which recorded 123 459 visits, and Boulders Beach with 109 497 visits. Table Mountain Aerial Cableway recorded 109 163 visits during the quarter under review, however it should be noted that the attraction was closed for annual maintenance for a month during the review period (Table Mountain Aerial Cableway, 2022). Robben Island recorded 30 245 visits during the third quarter of 2022.

¹¹ Prior to the pandemic, the surveys recorded averages of around 100 responses per month.

¹² Cape Town Tourism noted that no results were published for July 2022 due to too low survey participation.

¹³ Includes Cape of Good Hope, Boulders Beach, Table Mountain Aerial Cableway, Kirstenbosch National Botanical Gardens and Robben Island. Excludes the V&A Waterfront.

FIGURE 15: TOTAL (MONTHLY) VISITS TO THE TOP FIVE TOURIST DESTINATIONS OF CAPE TOWN, 2017 Q1 TO 2022 Q3



Source: Wesgro, September 2022.

Figure 15 illustrates the highly seasonal nature of Cape Town's attractions, with peak visitor activity occurring in the summer period from November to March, while the lowest tourist visitor numbers are typically recorded between May and July, which fall within Cape Town's

winter period. Traditionally, due to seasonality, visitor numbers begin to pick up during the third quarter.

07





ADDITIONAL INDICATORS

In addition to macroeconomic indicators, administrative data reveal 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.

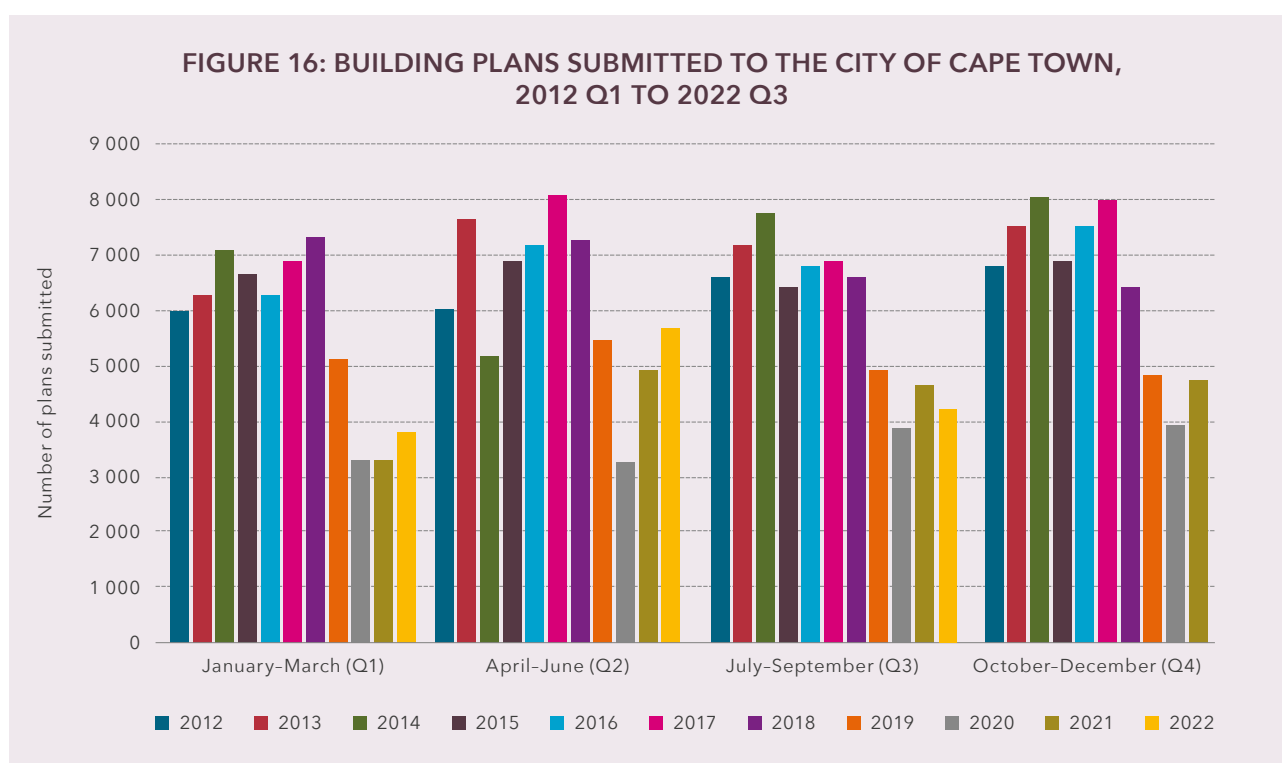
BUILDING DEVELOPMENTS

The economic growth data for the third quarter of 2022 show that national output in the construction sector improved by 3,1% quarter-on-quarter (non-annualised growth). This marked the beginning of the sector's rebound, following five consecutive quarters of contractions. That said, the sector still recorded a year-on-year contraction of 2,3% in the third quarter of 2022. The Western Cape's construction sector mirrored these national trends, recording 3,1% quarter-on-quarter growth after six consecutive quarters of contractions, and a year-on-year contraction of 2,3% in the third quarter of 2022 (Quantec, 2022).

Following a drop in the previous quarter, the First National Bank (FNB)/BER Building Confidence Index¹⁴ remained stable at 34 index points. While there was a significant improvement in the confidence levels of architects, this was offset by a deterioration in the business confidence levels of main contractors. Contrary to recent trends, this quarter also saw improvement in the non-residential market, while residential activity declined (BER, 2022e). The sentiment embedded in the Building

Confidence Index is further evident in some of the City's building plans data. For the third quarter of 2022, building plan submissions (rand value) improved by 129% when compared to the previous quarter, while building completions (rand value) declined by 57% (CCT, 2022d).

At a year-on-year level, the number of building plans submitted to the City for approval (4 276) in the third quarter of 2022, declined by 7,3% when compared to the third quarter of 2021. This reflects the uneven recovery of the sector. Figure 16 provides an annual comparison of the number of building plans submitted in each of the quarters over the past 10 years. This allows for seasonal volatility when analysing the long-term trends in the building and construction industry.



Source: Planning and Building Development Management Department, CCT, November 2022.

¹⁴ 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.





NEW VEHICLE SALES

At 15 423 units sold, total vehicle sales in the Western Cape in the third quarter of 2022 increased by 13,6% (1 841 units) from 13 582 units sold in the second quarter of 2022. On a year-on-year basis, vehicle sales increased by 17,2% (2 263 units) from 13 160 vehicles sold in the same period of 2021. Passenger vehicle sales in the Western Cape, which represents the private consumer segment of the market, increased from 9 887 vehicles in the second quarter of 2022 to 10 964 vehicles in the third quarter of 2022. The year-on-year results showed an increase of 20,9% (1 897 units) from 9 067 vehicles sold in the third quarter of 2021. At a national level, passenger vehicle sales reported a year-on-year increase of 21% (16 028 units) from 76 143 units in the third quarter of 2021 to 92 171 units in the third quarter of 2022.

In the third quarter of 2022, there was a strong improvement in new vehicle sales when compared to the previous quarter, as well as to the third quarter of 2021. According to Naamsa's quarterly review, this improvement

should be seen in the context of the severe economic disruptions and the cyber attack on Transnet operations during the third quarter of 2021, as well as the recovery from the flooding in KwaZulu-Natal in the previous quarter. (NAAMSA, 2022).

TransUnion's Vehicle Pricing Index (VPI) report shows that new passenger vehicle finance deals increased by 21% year-on-year in the third quarter of 2022, and by 3% for used passenger vehicles. The used-to-new ratio continued to decline, recording 2,05 from a previous 2,10 in the second quarter of 2022. The VPI¹⁵ for new vehicles showed a significant increase in the third quarter of 2022, up to 6,8% from 3,9% in the previous quarter. Similarly, the VPI for used vehicles recorded 8,3% in the second quarter of 2022, an improvement to 9% for this quarter. New vehicles continue to be impacted by constrained supply, exacerbated by the impact of the floods in KwaZulu-Natal on the local manufacturing market (TransUnion, 2022).



¹⁵ VPI measures the relationship between the year-on-year price increases for new and used vehicles from a basket of passenger vehicles of the 15 top manufacturers by volume. The index is created from vehicle sales data collated from across the industry.

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ABBREVIATIONS

ACSA:	Airports Company South Africa
BER:	Bureau for Economic Research
BFAP:	Bureau for Food and Agriculture Policy
CCT/City:	City of Cape Town
CPI:	consumer price index
CT:	Cape Town
CTT:	Cape Town Tourism
EAF:	Energy Availability Factor
EPIC:	Economic Performance Indicators for Cape Town
FNB:	First National Bank
GDP:	gross domestic product
GDP-R:	regional gross domestic product
GGP:	gross geographic product
GVA:	gross value added
GWh:	Gigawatt hours
HS:	Harmonised System
IMF:	International Monetary Fund
LPU:	large power users
MPC:	Monetary Policy Committee
NAAMSA:	National Association of Automobile Manufacturers of South Africa
PMI:	Purchasing Managers' Index
PPI:	producer price index
Q:	quarter
QLFS:	Quarterly Labour Force Survey
RMB:	Rand Merchant Bank
SA:	South Africa
SARB:	South African Reserve Bank
SARS:	South African Revenue Service
SPU:	small power users
TEU:	twenty-foot equivalent unit
USD/US\$:	United States dollar
USD/T:	United States dollar per tonne
VPI:	Vehicle Pricing Index
WC:	Western Cape
WEO:	World Economic Outlook
ZAR:	South African rand

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