CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

INVEST CAPE TOWN

Economic Performance Indicators for Cape Town
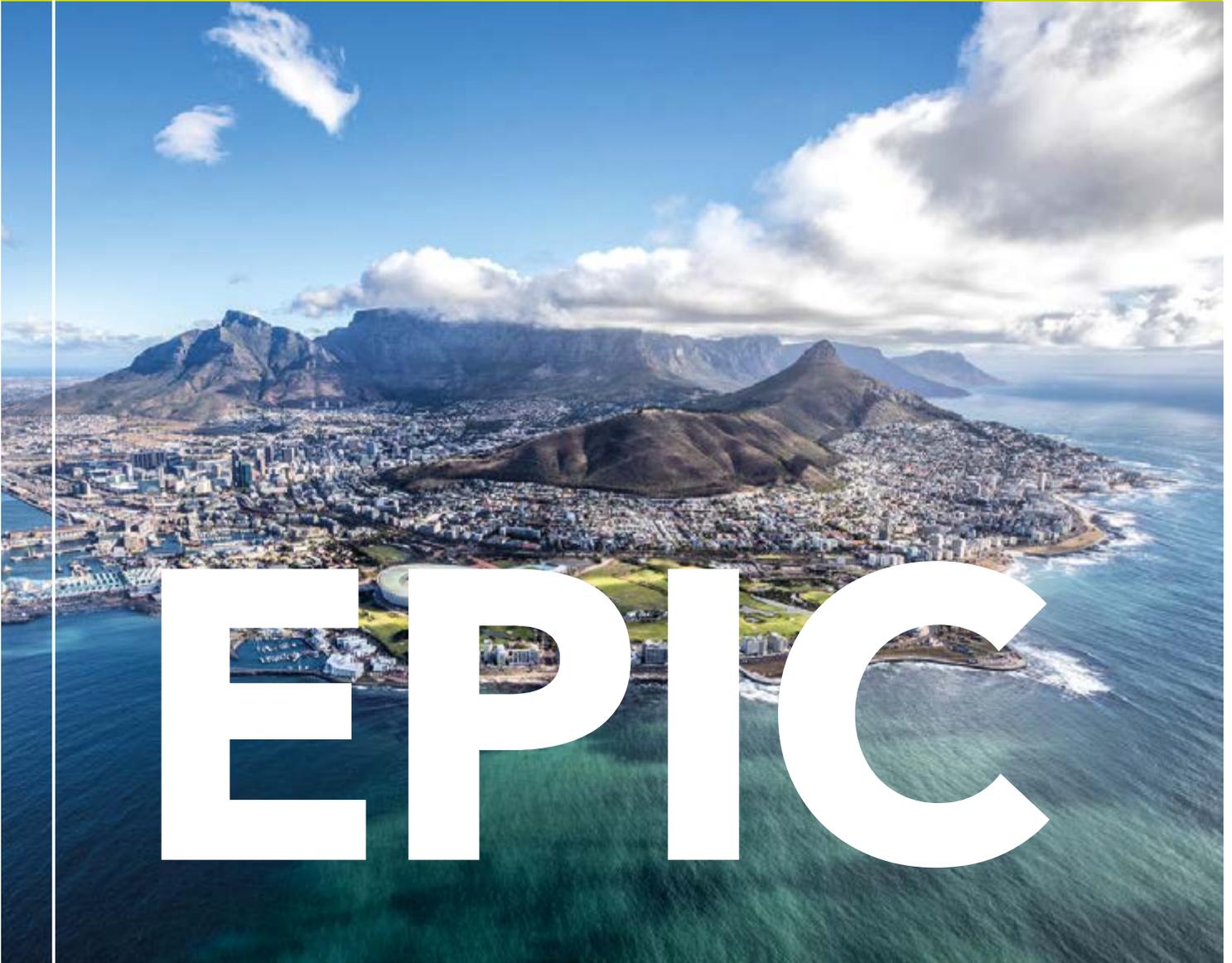
EPIC

2019 QUARTER 3
(July – September)

WWW.INVESTCAPETOWN.COM

Making progress possible. Together.

FOREWORD

ACHIEVING AND CONSOLIDATING GROWTH

In my first opportunity to provide the foreword in my role as Mayoral Committee Member for Economic Opportunities and Asset Management (EPIC Q2 2019), I focused on the rationale and expectations placed on the newly established Economic Opportunities and Asset Management directorate.

Our goal remains a simple and vital one, especially when viewed in the context of the second and third quarter economic indicators. My portfolio is focused on achieving economic growth, creating job opportunities and keeping Cape Town open for business.

Quarter 3 has confirmed that our focus on tourism retention, extension and diversification, through the Tourism Development Strategy was well timed ahead of the traditional high season. The number of arrivals at our award-winning Cape Town International Airport increased by 2,1%. This is good news, especially as a biweekly route expansion to Nairobi starts in October, and a new route to Newark, New York, starts in December.

Occupancy rates at Cape Town establishments were on average 1,8 percentage points higher than in the previous year while the city's top attractions (with the exception of Table Mountain Aerial Cableway undergoing routine maintenance) all posted increased visitor numbers.

Capitalising on Cape Town as a destination of choice, we have the opportunity to build and diversify our visitor experiences beyond the top attractions. Engagements with the tourism sector

have delivered some noteworthy and remarkable outcomes that in my view, will diversify the landscape and bring new entrants into the value chain – genuine and authentic products and experiences proudly provided by what I refer to as 'tourism-preneurs'.

The uptake in employment is also notable. This gives us results, reinforcing our decision to increase the support to a number of key partners which undertake skills training, investor promotion and facilitation, as well as sector development activities. Through the tireless efforts of my team, we truly live the ethos of the City; ensuring we invest in training for placement, keeping our focus on the skills demand and through key sector organisations, getting our valuable labour force placement ready.

The resilience of the Cape Town economy – from tourism to commercial space demand – is cause to acknowledge and appreciate the richness of our beautiful city. Our vacancy rate remains the largest across the five biggest metros in South Africa.

Our job is to preserve and convert this economic and cultural abundance to real opportunities, while removing the limitations for growth. I believe that we have the ingredients and formula to build and fuel our growth trajectory. After all, Cape Town makes business sense.

James Vos
Mayoral Committee
Member for Economic
Opportunities and
Asset Management

CONTENTS

LIST OF TABLES

LIST OF FIGURES

INTRODUCTION

This is the 26ᵗʰ 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 third quarter of 2019, covering the period 1 July to 30 September 2019.

Western Cape growth figures, a strong proxy for Cape Town, saw a slight contraction of 0,3% in the third quarter. This contraction was in line with, but marginally less than, the national economic growth decline of 0,6%, which reflects the current challenging economic climate in South Africa.

The tertiary sector, the lifeblood of the Cape Town economy, served to cushion the impact of poorer growth in some of the other sectors, with trade and business services, including finance, growing by 2,7% and 1,6% respectively, quarter-on-quarter. The overall structure of Cape Town's economy has also enabled it to be more resilient to the economic pressures experienced by much of the rest of the country, and even the Western Cape Province. More than 60% of the city's economy comprises sectors that experienced some growth, at national and provincial levels, over the quarter. Cape Town's economy is also only marginally reliant on agriculture, which experienced a sharp decline at a provincial level.

Another positive was the continued growth in employment opportunities for people in Cape Town, with 19 232 more residents acquiring work than in the second quarter. Unfortunately, despite this increase in employment in the city, the rate of employment growth is not consistently keeping pace with the city's fast-growing labour force. This translates to an increase in Cape Town's strict and broad unemployment rates. Of concern is the lack of employment opportunities for youths aged between 15 and 24 years, particularly the 26,2% of this segment of the population classified as being 'not in education, employment and training' (NEET) in the third quarter.

Apart from the obvious negative impacts of this youth unemployment on social cohesion in the city, a high NEET rate implies that Cape Town is missing an opportunity to take advantage of its demographic dividend. Presently, Cape Town finds itself in the relatively short window of opportunity on its development path where its working age population exceeds its non-working age population. Effectively capitalising on this demographic dividend is a key way of enhancing productivity and securing sustainable economic growth for the city.

However, encouraging and stimulating higher levels of youth participation in the economy, requires the removal of barriers to employment, whether these are physical constraints that hinder young people from finding employment, or a lack of skills required to fill the opportunities that do arise. The City of Cape Town is acutely aware of the need to break down these barriers, and the administration's new Inclusive Economic Growth Strategy (IEGS) identifies various workforce development initiatives aimed at reducing job search frictions in particular. While the provision of formal education is not within the City's mandate, it is also very aware of the role that it has to play, through its sector organisations, to facilitate access to relevant vocational training and digital literacy.

The comparatively stronger performance of the tertiary industries in the third quarter, both from a GVA and employment perspective, reflects a longer-term shift towards an increasingly tertiary-sector oriented and high skill-intensive economy. This trend is well established and, in the South African context, has been compounded by recent job losses in other, more labour intensive, sectors like construction. For the most part, the youth will be the most likely candidates to fill positions in this shifting employment landscape with its expanding tertiary sector. This means that they need to be accessing skills and training that will adequately prepare them to do so. However, Cape Town's labour market continues to grow disproportionately at the lower end of the skills spectrum, which is further widening the gap between the supply and demand for labour in the city. This can be addressed, but will take a collaborative effort from a broad coalition of stakeholders committed to ensuring that the city's labour force (and especially the youth) can access the skills needed to make them employable in this new world of work with its increasing emphasis on digital skills.

Tourism has long offered some of the best prospects for employment creation. So, it's pleasing that the figures shown by the industry in the third quarter provide reason to be cautiously optimistic about the sector's prospects. Occupancy rates at Cape Town establishments were higher on average

(1,8 percentage points) than those of the corresponding period in the previous year. In addition, the city's top attractions (with the exception of the cableway that was undergoing routine maintenance) all posted increased visitor numbers.

The number of arrivals at the Cape Town airport also increased by 2,1% overall, although foreign arrivals declined slightly year-on-year. Foreign arrivals, however, are expected to see an increase in the fourth quarter, given the positive outcomes of the work done by the City, Province and Wesgro on the Air Access programme, which secured a biweekly route expansion to Nairobi, starting in October, and a new route to Newark, New York, with effect from December 2019. These new routes, together with the softening of visa regulations for minors and the roll-out of the e-visas and e-gates, will in all likelihood have driven an increase in international passenger arrivals in the fourth quarter of 2019.

Ensuring that the city is well positioned to capitalise on foreign buying power, in the form of international tourism, exports and foreign direct investment, is becoming increasingly important to mitigate any economic challenges brought about by currently subdued domestic consumer and business confidence.

It is already clear that renewed load shedding in the fourth quarter of 2019 had a negative impact on manufacturing, with December's PMI indicating a contraction in the sector. There are concerns that South Africa, and possibly Cape Town and the Western Cape, may enter a technical recession with the publication of the fourth quarter GDP figures. In the longer term, it is also likely that economic challenges will persist, with most analysts forecasting an economic growth rate of 1% for the national economy in 2020.

These challenges are not unexpected, and the City if Cape Town is putting in place growth strategies to combat these challenges and chart a better growth path for Cape Town's economy. At the same, the City needs to place an increased focus on becoming more resilient in the face of these economic challenges.

Paul Court
Head: Economic Research

HIGHLIGHTS OF THE ECONOMIC PERFORMANCE INDICATORS FOR CAPE TOWN (EPIC) FOR THE THIRD QUARTER 2019

Following positive growth in the second quarter of 2019, **the Western Cape economy contracted by 0,3%,** quarter-on-quarter, in Q3. The main growth detractors were the mining (-7,2%), electricity and water (-5,7%) and transport sectors (-5,4%).

The Province **recorded a lower inflation rate of 4,6%** at the end of the third quarter than at the end of second quarter of 2019 (5,3%). While this was slightly higher than the national inflation rate (4,1%), it remained well within the inflation target range (of 3% to 6%).

The **number of people employed in Cape Town increased by 19 232** on a quarter-on-quarter basis, and by 2 108 year on year. This brought the total number of people employed in the city to 1,6 million in the third quarter of 2019. The leading contributors to employment growth were the transport (13 414) and private household (12 860) sectors. The trade, hotels and restaurants sectors recorded the largest employment decline (-15 470) over the same period.

Cape Town International Airport recorded a year-on-year increase (2,1%) in total passenger movements to 2,63 million passengers (second quarter: 2,53 million). The year-on-year growth trend suggests that the tourism sector is recovering after a period of subdued performance attributed mainly to the drought conditions in the region in 2017 and 2018.

Four of Cape Town's top five tourist attractions recorded quarter-on-quarter increases in the number of visits in the third quarter of 2019. On a year-on-year basis, Table Mountain: Cape of Good Hope showed an increase in number of visits (14 200). Table Mountain Aerial Cableway recorded a decline in visitors (-45 606), but this can be attributed to an extended closure period for required maintenance.

Construction of 13 602 m² of new office or banking space was reported to have been completed in the third quarter of 2019, as well as **3 160 m² of office or banking space alterations.** This points to still positive sentiment towards Cape Town by the financial services sector. In the same period, office vacancy rates remained relatively stable, increasing by just 0,1% to 7,7%. This remains the lowest vacancy rate across the five largest metropolitan municipalities in South Africa.

01

SUCCESS STORIES

THE FOUNDERS OF CAPE TOWN AI BELIEVE THAT SKILLED ARTIFICIAL INTELLIGENCE (AI) DEVELOPERS CAN CONTRIBUTE TO A BETTER PLANET, AND WORK WITH THEIR CLIENTS TO HELP IMPROVE THEIR TRIPLE BOTTOM LINE.

Cape Town AI was founded at the beginning of 2019 by two Dutch tech entrepreneurs, Pieter Boon and Koen Bonenkamp, (artificial intelligence).

Working together with their clients to help improve their triple bottom line (People, Planet, Profit), Cape Town AI has three main aims for 2020:

1. Establish South Africa as a global hub for AI talent
2. Create economic opportunities in townships
3. Contribute to projects that protect Africa's wildlife

This year, their main focus has been to create a multi-disciplinary talent pool, and the company is continuously recruiting new talent. Cape Town AI also has a different approach to human resource development than most companies in South Africa.

Pieter Boon explains: "On Fridays our employees get time to train and develop themselves and learn from each other. They only work four days a week. We believe they are more productive and efficient that way, and have more fun! This gives them time to focus on everything that is necessary for their own development and for their projects. They start in the morning by telling everybody what they will be doing for the day and in the afternoon they share what they have learned with the rest of the team. In this way everyone learns from each other and continues to grow their knowledge."

On their reasons for choosing to establish the company in Cape Town, Pieter comments that Cape Town is one of the best places in the world to work and live, with the mountains, fresh air, good food, decent rental rates, close proximity to interesting places and the vibrant culture, especially in the tech startup field.

Forward thinking businesses are rapidly getting ready for AI. Cape Town AI helps companies to set up a data-driven business by identifying priorities and defining their AI and data strategy. A multi-disciplinary team – or data science squad – then works with the company to create a data science, artificial intelligence and cloud computing road map.

"We've also launched the in-house analytics academy concept, where we create an internal academy so that the company can train not only the technical people but also the people that need to make the translation in their business to an AI model. We strongly believe successful companies take an inclusive approach to AI; they are not focused on replacing jobs but on creating new business models and better services."

Cape Town AI employs multi-disciplinary teams that implement your data science, artificial intelligence and cloud computing roadmap.

Another initiative by the founders of Cape Town AI is Enlabeler, which is a company that offers data labeling services. While the core of its business is focused on labeling a company's data, it is also focused on creating jobs in township communities around South Africa.

The data labeling industry is growing at an enormous pace, and Enlabeler's mission is to land these jobs in South African townships.

"Data labeling is a crucial factor in optimising machine learning models and high volumes of data-labeling work will be needed for corporates and smaller companies to get the most out of their data science and ML efforts." – Koen Bonenkamp, co-founder of Cape Town AI and initiator of Enlabeler.

The idea is to create a new financial wealth for people in townships, allowing them to do the work on their mobile phones, eliminate the need to travel by taxi and at the same time also train them in the digital world.

Enlabeler CEO Esther Hoogstad explains: "South Africa's youth unemployment figures are rising, and it's very hard to see that a lot of kids with a matric certificate in their hands, often followed by tertiary education, are not able to find a job. Either by lack of social capital, experience or life circumstances – they find themselves in a 'catch 22' situation, which is hard to get out of."

She explains further, "Enlabeler is aiming to create low-entry data-labeling jobs to (unemployed) young professionals in the Khayelitsha area (township outside of Cape Town). It's important we make the effort to move out of the city, taking away the existing barriers and invite young professionals into our space."

Not only has Cape Town AI a vision of creating jobs in South Africa's townships, they are also passionate about using AI to protect Africa's wildlife.

Cape Town AI partners with national parks and technology companies to fight poaching by using a deep learning approach to analyze (image) data to proactively identify poachers and animals that are in danger.

THE FIRST PAN-AFRICAN DATA SCIENCE COMPETITION PLATFORM.

In conversation with Celina Lee, co-founder and CEO of Zindi, a Cape Town-based technology startup and the first Pan-African data science competition platform.

Founded in 2018, Zindi is the largest African data science competition platform and works with companies, non-profit organisations and government institutions to develop data-driven competitions, to 'solve Africa's toughest challenges'.

How was Zindi started?

"Zindi was created as a subsidiary of Ixio Analytics, a data science consulting company. Ixio was founded by Megan Yates, a South African working in data science field since 2012."

"Zindi came of a realization that there was a growing pool of data scientists – in Cape Town and across Africa – looking for opportunities to grow and apply their skills. At the same time, companies and organisations in Africa, who were creating massive amounts of data, were facing the dilemma of how to fully capitalize on its real value."

From this realization Megan and her business partners, Celina Lee and Ekow Duker, saw a huge opportunity, and Zindi was launched in September 2018.

"We wanted a space where data scientists in Africa can build their skills and reputation on real-life problems and real-life data sets; where they can connect with organisations and companies that need them. We also wanted to create channels for African companies and organisations to test the market of machine learning and AI, and tap into the talent that is out there."

So how does it work?

"We work with companies to identify and define a problem and help them design a data set that would be needed to build an AI or machine-learning solution on. We post that challenge on our platform and open it up to the community. Data scientists then register on Zindi, register for the competition, access the data and essentially build machine learning models on the data."

Tell us about data science competitions, or challenges.

"The machine learning problem is trying to predict something, or trying to find patterns in the data to predict future outcomes. For example, we're currently running a challenge with a logistics company in Nairobi. They do package delivery within the city, like Uber Eats, but theirs is person-to-person delivery.

"They lacked a good algorithm for calculating the estimated time of arrival. So the machine learning challenge, is to take their historic data and help them delivery times – taking into account variables like weather, driver information and delivery GPS coordinates. It's this kind of data that we give to the

data scientist to train a model on. They then build an AI/machine learning model on that data to accurately predict how long it will take for a package to be delivered.

"These competitions are open for about 3 months and each data scientist can develop as many solutions as they want and continually improve them. There's a live leader board, where they're ranked based on their best submission. When the competition ends, the top three data scientists win prizes and all solutions are given to the company that needed it.

"This offers three different perspectives on how to solve the problem, which can be customized to fit their needs."

Why choose Cape Town as your base and are you doing any work with the local authorities here?

"Cape Town is a great place for a tech or AI startup; there's a vibrant startup scene, and being close to UCT and Stellenbosch University offers us access to a great pipeline of talent in the city.

We launched a competition in partnership with Uber Movement and SANRAL, creating a challenge to help SANRAL predict when and where road accidents may happen, using AI. (Find details about the Uber Movement SANRAL Cape Town Challenge *here*).

Is using AI and machine learning for the benefit of society important to you?

"Absolutely. While Zindi is a for-profit company, we have a social mission and are passionate about solving problems which will also have a positive impact on society – such as *Farm Pin*, a startup that leverages the power of satellite imagery for agriculture, and *Standard Bank's Tech Impact Challenge*.

Tell us more about Zindi's presence in Africa?

"We're based in Cape Town, but our reach is pan-African. South Africa, Nigeria and Kenya currently have the most users, but countries such as Tanzania, Uganda, Tunisia and Senegal are coming up strongly. we have data scientists in our network from practically every country in Africa now."

Find out how Zindi can help your organisation, visit *https://zindi.africa/*.

02

OVERVIEW

CAPE TOWN OVERVIEW 2019: QUARTER 3

GROSS DOMESTIC PRODUCT (GDP)

R3 144 539 million
South Africa

Of **South Africa's R3 144 539 million** GDP generated in the third quarter of 2019, the **Western Cape accounted for R436 463 million**.[a] 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.[b]

R436 463 million
Western Cape

[a] At constant 2010 prices. Source: Quantec, 2019.
[b] At current prices. Source: IHS Markit, 2019.

GDP GROWTH RATE

During the third quarter of 2019, the **Western Cape** had a quarter-on-quarter GDP growth rate of **-0,3%**, compared to a **national** growth rate of **-0,6%**.[c]

Western Cape **-0,3%**

South Africa **-0,6%**

[c] At current prices. Source: IHS Markit, 2019.

GDP PER CAPITA

In 2018, **South Africa** had a GDP per capita, of **R84 976**, while the **Western Cape's** GDP per capita was **R100 824** and **Cape Town's** was **R110 137**.[d]

South Africa
Western Cape
Cape Town

[d] At current prices. Source: IHS Markit, 2019.

CAPE TOWN GROSS GEOGRAPHIC PRODUCT AND EMPLOYMENT CONTRIBUTIONS TO SA, 2018[e]

	Employment (formal and informal)	GDP (current prices)
Rest of SA	47,5%	42,8%
Tshwane	7,7%	10,0%
Johannesburg	13,2%	14,9%
eThekwini	7,6%	6,9%
Cape Town (eThekwini)	8,3%	9,7%
Cape Town	9,9%	9,5%

100%
75%
50%
25%
0%

Legend:
- Rest of SA
- Tshwane
- Ekurhuleni
- Buffalo City
- Nelson Mandela Bay
- eThekwini
- Mangaung
- Johannesburg
- Cape Town
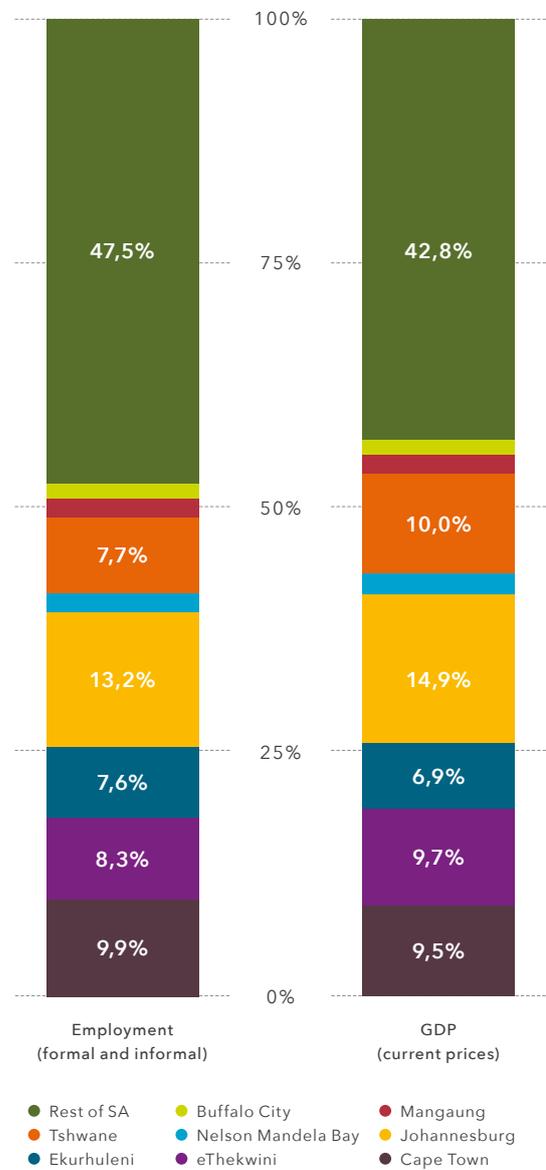
[e] GGP at current prices. Source: IHS Markit, 2019.

INFLATION

At the end of the third quarter of 2019, **South Africa** had a lower rate of inflation of 4,1%, compared to the **Western Cape** which had a rate of **4,6%**.[f]

4,5%
South Africa

5,3%
Western Cape

[f] *Source: Statistics South Africa (StatsSA), 2019.*

POPULATION

South Africa has **58 775 022** people: **6 844 272** (11,6%) live in the **Western Cape** and, of those, **4 488 546** are resident in **Cape Town**.[g]
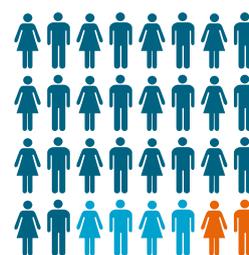
[g] *Source: Statistics South Africa (StatsSA), 2019.*

GINI COEFFICIENT

In 2018 **South Africa** had a Gini coefficient* of **0,63**, while **Cape Town** had a slightly lower value of **0,62**.[h]

* The Gini coefficient measures inequality in levels of income.

South Africa **0,63**

Cape Town **0,62**

[h] *Source: IHS Markit, 2019.*

SECTORAL SHARES, CAPE TOWN GROSS VALUE ADDED (GVA) VERSUS NATIONAL GVA, 2018[i]

■ SA GVA
■ Cape Town GVA

| Sector	SA GVA	Cape Town GVA
Agriculture and fishing	2,4%	1,0%
Mining	8,1%	0,2%
Manufacturing	13,2%	14,6%
Electricity	3,8%	2,2%
Construction	3,9%	4,8%
Trade	15,0%	17,8%
Transport	9,8%	11,9%
Finance and other business	19,7%	29,0%
Community services	24,0%	18,6%
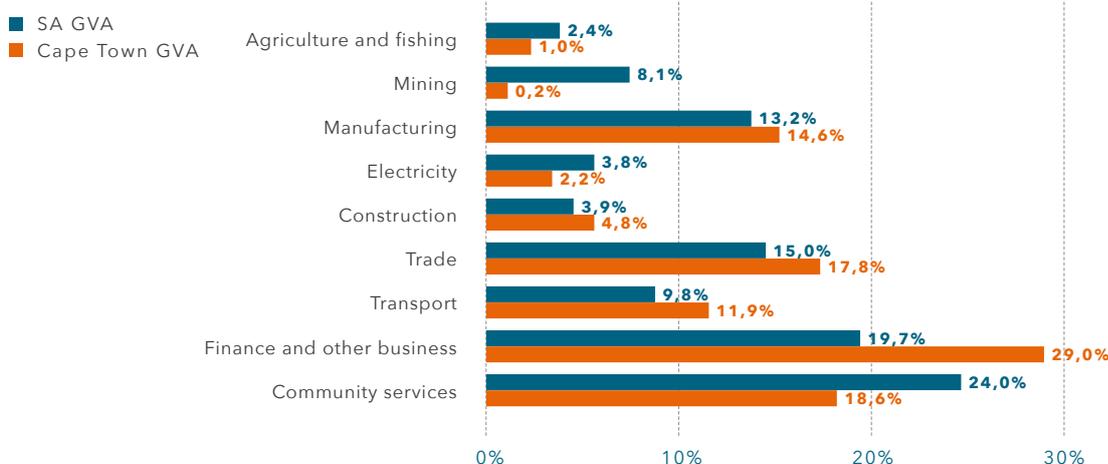
[i] *At current prices. Source: IHS Markit, 2019.*

VISITOR ATTRACTIONS

In the third quarter of 2019, tourists and residents made **849 465 visits** to **Cape Town's five major attractions**[j].

849 465
Cape Town top 5attractions

[j] *Cape Town Tourism and Wesgro, 2019.*

AIR PASSENGER MOVEMENTS

Of the **9 872 745** passenger movements through **South Africa's three international airports**[k] during the third quarter of 2019, **2 633 286** were through **Cape Town International Airport**[l].

[k] *Cape Town, OR Tambo and King Shaka.*
[l] *Source: ACSA, 2019.*

LABOUR OVERVIEW 2019: QUARTER 3

Working-age population:
2 967 498 ▲

Broad labour force:
2 122 505 ▲

Employed:
1 607 982 ▲

Searching unemployed:
452 660 ▲

Informally employed:
205 424 ▼

Discouraged and other non-searching unemployed:
61 863 ▲
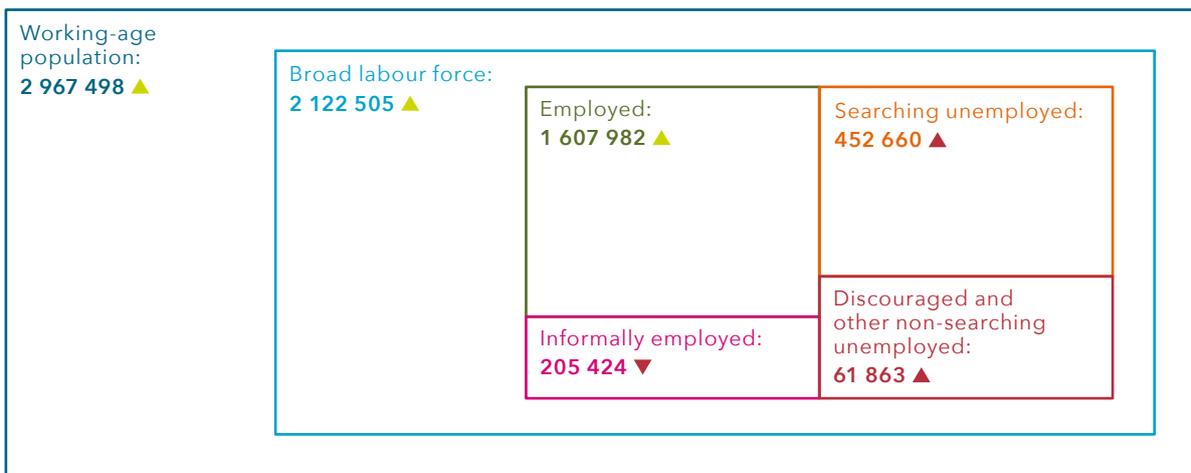
Labour force participation rate (strict) = **69,4%**   Absorption rate = **54,2%**   Dependency ratio = **44,1%**

Source: Statistics South Africa, Quarterly Labour Force Survey, 2019 Quarter 3, October 2019.

STRICT VS BROAD UNEMPLOYMENT RATES FOR SOUTH AFRICA AND CAPE TOWN, 2013 Q1 - 2019 Q3

— Cape Town strict   — South Africa strict   — Cape Town broad   — South Africa broad
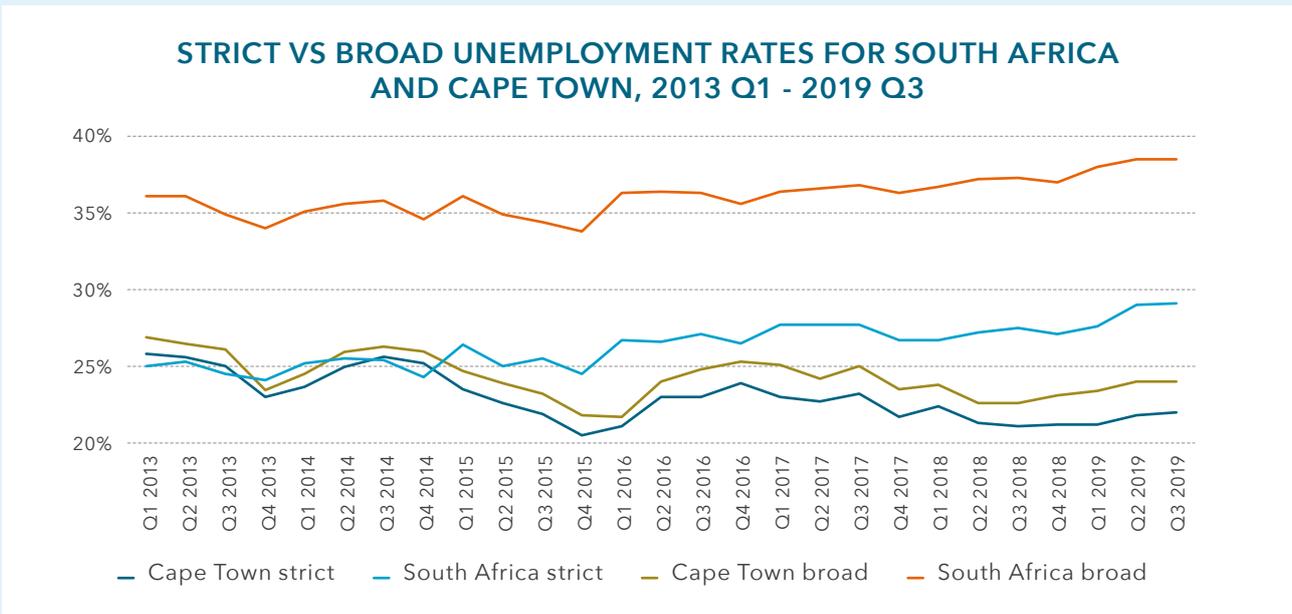
Source: Statistics South Africa, Quarterly Labour Force Survey, 2019 Quarter 3, October 2019.

03
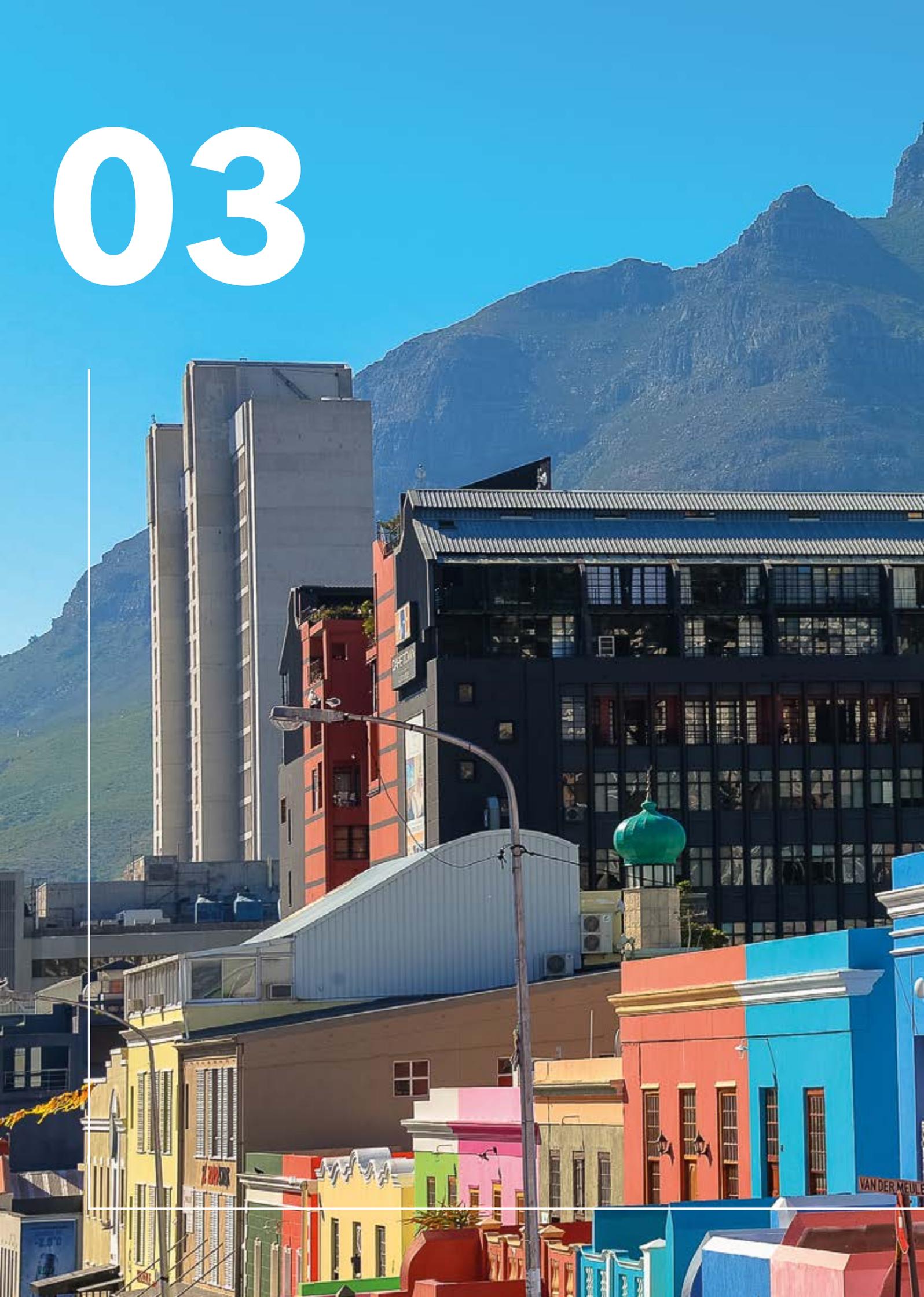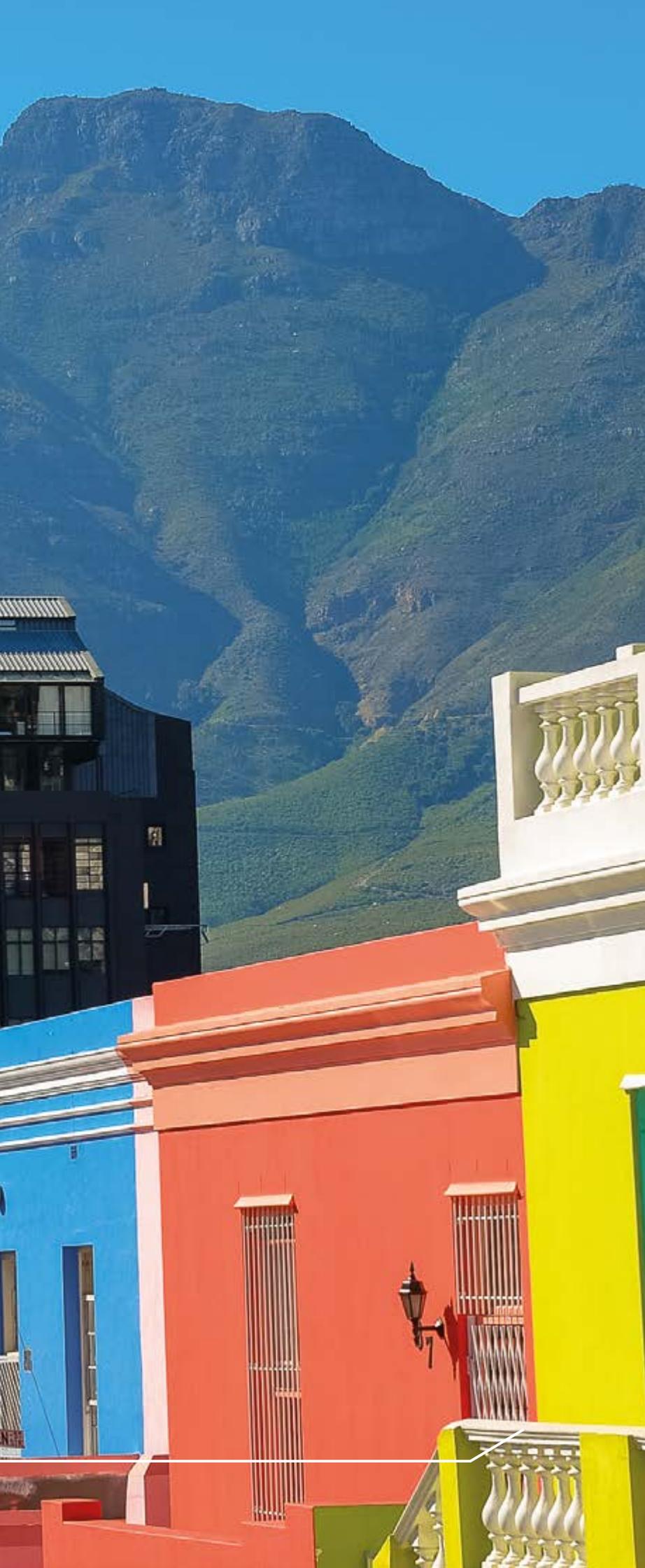
ECONOMIC GROWTH

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 often the main drivers of economic growth in a region.

QUARTER-ON-QUARTER GDP-R GROWTH RATE

The Western Cape economy contributes around 14% of South Africa's GDP. The province's economic performance is strongly related to the country's economic performance and, in line with the contraction of the national economy (by -0,6%) in the third quarter of 2019, the Western Cape economy contracted by 0,3%. As with the economic performance at a national level, the Western Cape's contraction in the third quarter was broad based, with six of the ten sectors recording negative growth on a quarter-on-quarter basis. The largest contraction in the third quarter was in the mining sector which contracted by 7,2%, while the largest [positive] growth was in the trade sector (2,7%). Despite the unexpectedly poor quarter-on-quarter results, the year-on-year data indicates a more muted performance. As figure 1 shows, on a year-on-year basis, the province's economy grew by 0,3% in the third quarter of 2019, a decrease of 1 percentage point from the previous quarter.

While GDP-R (regional gross domestic product) 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, 2019).

On average, in the last 10 years, the variation of the city's gross geographic (GGP) growth rate from the provincial rate has been 0,2 of a percentage point. If this were to hold true for the third quarter of 2019, a plausible range for Cape Town's quarter-on-quarter economic growth is between -0,1% and -0,5%.

> In line with the contraction of the national economy (by -0,6%) in the third quarter of 2019, the Western Cape economy contracted by 0,3%.

FIGURE 1: REAL GGP GROWTH FOR THE WESTERN CAPE, QUARTER 1, 2008 TO QUARTER 3, 2019
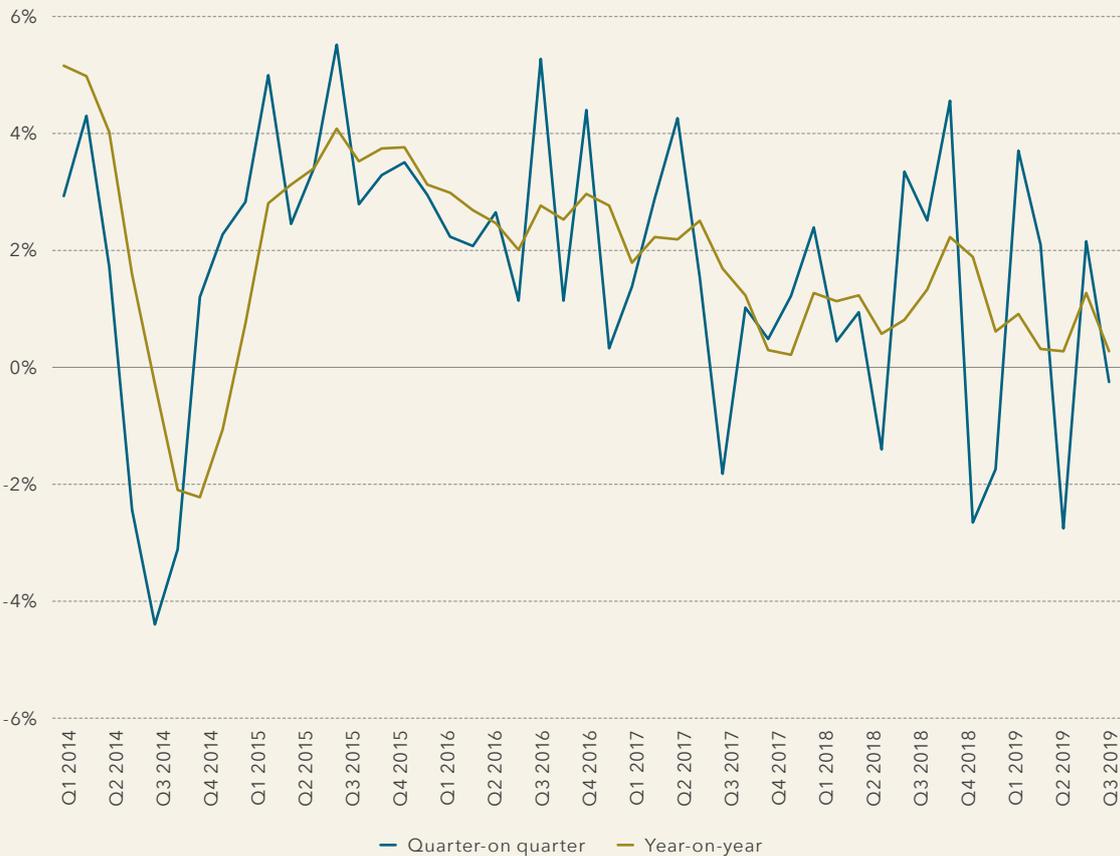
Source: Quantec, December 2019.

SECTORAL DRIVERS OF ECONOMIC GROWTH IN THE WESTERN CAPE

The Western Cape economy's performance in the third quarter of 2019 is characterised by poor performances across most of its sectors. The most prominent contributors to the Western Cape's total gross value added (GVA) are the finance, trade and manufacturing sectors; of these, the trade and finance sectors were the largest positive contributors to growth in the third quarter of 2019, adding 0,49 and 0,42 of a percentage point, respectively, to growth during this period. The majority (six) of the Western Cape's sectors contracted in the third quarter of 2019, subtracting a combined 1,5 percentage points from total growth. Of these, the manufacturing and transport sectors were the largest negative contributors towards growth, each subtracting 0,57 of a percentage point.
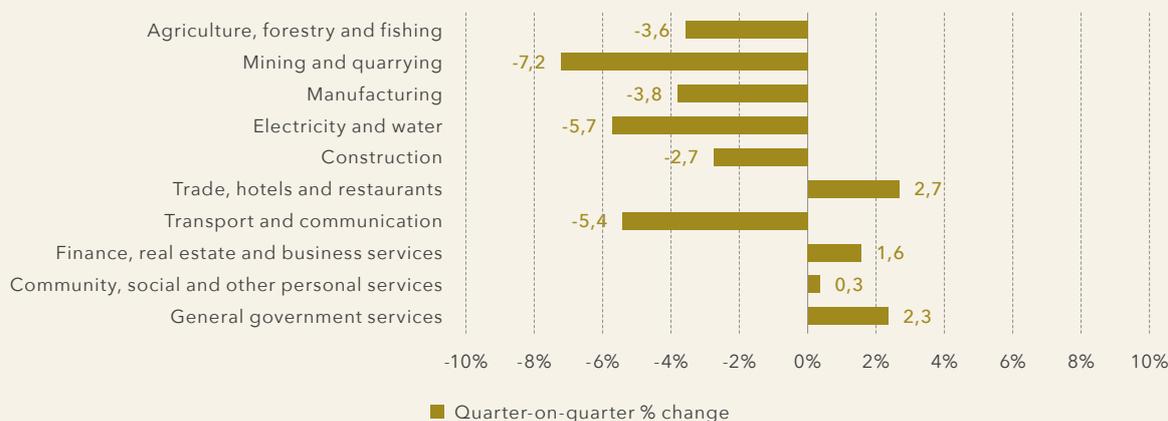
From an individual sectoral performance perspective, the agricultural and manufacturing sectors, which have experienced fluctuating performances for several years, continued this trend in the third quarter of 2019. The agricultural sector recorded its third consecutive quarter of negative growth (-3,6%), albeit an improvement on the previous quarter, whilst the manufacturing sector experienced negative growth (-3,8%) in the third quarter of 2019 following positive growth in the previous quarter. The construction sector also experienced its fifth consecutive decline (-2,7%), and the transport sector its third consecutive decline (-5,4%). While the mining sector recorded the largest quarter-on-quarter contraction (-7,2%) in the third quarter of 2019, its impact remains limited as it constitutes a very small share of economic activity in the province (0,2%) (Quantec, 2019). The weaker than expected GDP performance, applicable to both provincial and national economies, is as a result of "broad-based weakness across the key sectors of the economy", and notably the unexpected "sharp decline" of the transport sector (BER, 2019a).

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, it comprises 82% of the Western Cape's finance and business services, 77% of its transport, 73% of its wholesale and retail trade, 69% of its manufacturing, and 63% of its construction sectors (IHS Markit, 2019). As such, the city is likely to have experienced very similar growth rates to those at a provincial level in these sectors in the third quarter of 2019.

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 20% (IHS Markit, 2019). 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 third quarter of 2019 would have been driven by the performance of the finance, community services and trade sectors, which, in 2018, comprised 35%, 17%, and 16% of the city's economy, respectively. Given that two of these sectors (finance and trade) were the largest positive contributors to economic growth at the provincial level in the third quarter, it is reasonable to believe that Cape Town may have experienced slightly higher economic growth than the province in this period.

FIGURE 2: SECTORAL REAL GDP-R GROWTH RATES IN THE WESTERN CAPE, QUARTER 3, 2019

Sector	Quarter-on-quarter % change
Agriculture, forestry and fishing	-3,6
Mining and quarrying	-7,2
Manufacturing	-3,8
Electricity and water	-5,7
Construction	-2,7
Trade, hotels and restaurants	2,7
Transport and communication	-5,4
Finance, real estate and business services	1,6
Community, social and other personal services	0,3
General government services	2,3

Source: Quantec, December 2019.

04

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

Overall, by the end of the third quarter of 2019, the CPI decreased to 4,1% from 4,5% at the end of the second quarter of 2019. As illustrated in figure 3, the CPI recording for July was 4%, increasing slightly to 4,3% in August and decreasing to 4,1% in September 2019. Encouragingly, the headline inflation rate continued to remain below the upper end of the inflation target range (6%) for the third quarter - this has been the case since the second quarter of 2017. According to Statistics South Africa (2019), the main categories contributing to the overall CPI inflation rate for September 2019 included alcoholic beverages and tobacco, as well as education, with each of these categories recording inflation rates of above 6%. According to the Monetary Policy Committee (MPC) statement of September 2019 (South African Reserve Bank [SARB], 2019a), the lower headline inflation is a result of South Africa's gross domestic product rebounding (in the second quarter) from the contraction experienced in the first quarter of 2019, as well as food and service price inflation remaining [overall] subdued.

For the third quarter of 2019, the PPI decreased significantly after averaging a recording of 6% during the second quarter to average a recording of 4,5% for the third quarter. It recorded monthly loggings of 4,9% in July, decreasing to 4,5% in August and further to 4,1% in September 2019. The main inflationary contributors to PPI in September (in terms of final manufactured products) were the prices of food products, beverages and tobacco produ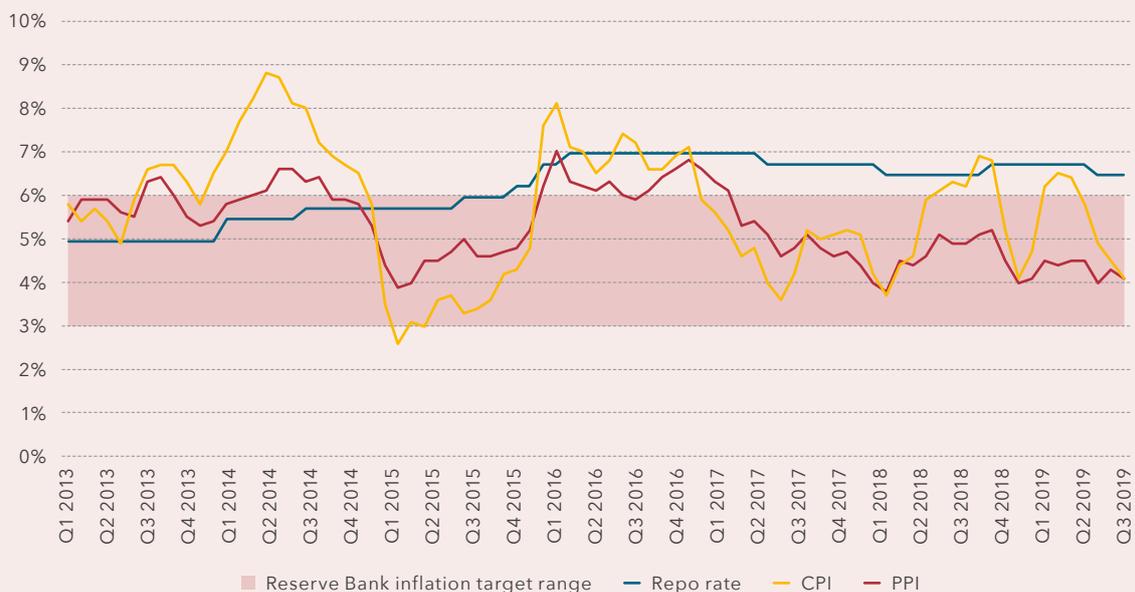cts; coke, petroleum, chemical, rubber and plastic products as well as metals, machinery, equipment and computing equipment.

Interestingly, the percentage gap between the CPI and PPI decreased significantly from 2,1 percentage points in April 2019 to recording a zero percentage gap in September 2019 as both logged a recording of 4,1%.

Figure 1 also illustrates changes in the repurchase rate (repo rate). As indicated in the graph, the repo rate decreased by 25 basis points from 6,75% to 6,5%, as decided by the MPC in July 2019. According to the MPC statement of July 2019 (SARB, 2019b), key reasons for the downward decision were the stronger rand performance [at that point], moderate to lower inflation expectations for 2020 and 2021 as well as the subdued food price inflation. Although the repo rate has been revised down, the MPC will closely monitor overall inflation performance, the level of economic activity, business and investment confidence, global economic indicators as well as the price of food, electricity and wages. The MPC decided to keep the repo rate unchanged during the September 2019 meeting with lower inflation expectations and improved GDP performance as its main reasons (SARB, 2019a).

> By the end of the third quarter of 2019, the CPI decreased to 4,1% from 4,5% at the end of the second quarter of 2019.

**FIGURE 3: CPI AND PPI TRENDS FOR SOUTH AFRICA, JANUARY 2013 TO SEPTEMBER 2019**

Source: CPI and PPI extracted from Statistics South Africa, 2019; repurchase rate extracted from SARB, 2019.

GEOGRAPHICAL INFLATION

The Western Cape recorded an inflation rate of 4,6% at the end of the third quarter of 2019. This was lower than its inflation rate at the end of the second quarter of 2019, which was 5,3%. Although remaining within the inflation target range at the end of the quarter, the provincial inflation rate remained higher than the national rate of 4,1%. Figure 4 illustrates inflation rates recorded in the third quarter of 2019 across all nine provinces in the country. In comparison to the end of second quarter of 2019, the majority of the provinces recorded slight decreases in their respective inflation rates by the end

of the third quarter of 2019, with the Free State and Limpopo being the only provinces to record an increase whilst KwaZulu-Natal remained unchanged when compared to June 2019. The Western Cape recorded the highest inflation rate throughout the quarter with an average of 4,8%, followed by Limpopo (4,7%), and Northern Cape (4,4%), whilst the North West (3,7%) recorded the lowest average inflation rate in the third quarter of 2019. Positively, all nine provinces continue to remain within the inflation target range of 3% and 6%.

FIGURE 4: CPI INFLATION RATE AT A PROVINCIAL LEVEL, JULY TO SEPTEMBER 2019
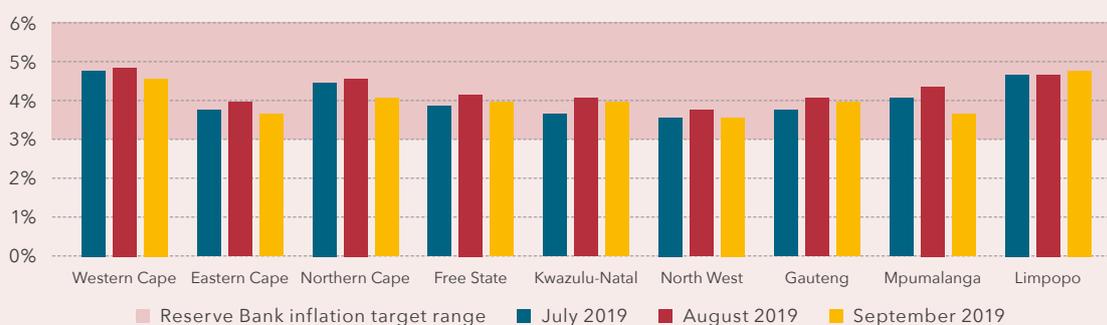
Source: Statistics South Africa, November 2019.

The higher overall inflation rate at the provincial level (compared to the national level) for the third quarter of 2019 can largely be attributed to housing and utilities' price inflation which was recorded at 7,1% for the Western Cape and 4,9% at the national level in September. Within this category the disparity between prices at the provincial and national levels was notable in owners' equivalent rent[1] and actual rentals for housing which were recorded at 6,5% and 6,6%, respectively, for the province, compared to 2,6% and 3,4%, respectively, at the national level. Water and other services'[2] price inflation in the Western Cape remained high in the third quarter, recording 6,8% for September 2019, however was lower than the inflation rate in this category at a national level which was 7,1% in September 2019.

Notably, electricity and other fuels' price inflation was higher on a national level (11,6%) compared to the provincial level (9,7%) for September 2019. The high rate of inflation in this category could be attributed to the average annual electricity increase of 13,87% for Eskom direct customers (implemented on 1 April 2019) and an average price increase of 15,63% for municipalities (implemented on 1 July 2019) as approved by National energy regulator of South Africa (NERSA, 2019).

Food price inflation in the Western Cape increased from 2,8% in July to 3,0% in September 2019. Similarly, food price inflation on a national level increased from 3,3% in July to 4,0% in September. Although food price inflation has remained on the lower risk side, the MPC noted in their July and September statements (SARB, 2019a and 2019b, respectively) that it is expected to increase further and will be closely monitored. Significant disparities in inflation rates between the Western Cape and the country as a whole were also observed within the non-alcoholic beverages' price inflation (4,8% and 5,2%, respectively) and in alcoholic price inflation (5,4% and 6,5%, respectively) at the end of September 2019. The Western Cape also recorded a higher restaurants and hotels price inflation (6%) than that recorded at a national level (3,4%) at the end of this quarter.

Public transport price inflation on both a national and provincial level logged recordings above 6% for July (7,9% and 8,9%, respectively) but decreased substantially by the end of the quarter (3,4% and 4,6%, respectively).

---

[1] As defined by Statistics South Africa, the category "owners' equivalent rent" measures the opportunity cost to the owners of forgoing a rental income by living in rather than renting out the house they own (Statistics South Africa, 2017).
[2] As defined by Statistics South Africa, the category "water and other services" includes water supply, rates, taxes and levies (Statistics South Africa, 2017).

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.

CAPE TOWN'S LABOUR MARKET PERFORMANCE

Cape Town's working age population (2,96 million) and labour force (2,06 million) increased on both a quarter-on-quarter and year-on-year basis. Similarly, employment increased on both a quarter-on-quarter (19 232) and year-on-year (2 108) level recording a total of 1,6 million individuals. The greater increase in employment compared to the working age population for this quarter meant that the labour absorption rate increased to 54,2% from 53,8% in the previous quarter. The labour force participation rate, also, increased by 0,7 of a percentage point to 69,4% for the third quarter of 2019. On a year-on-year level both the labour absorption and labour force participation rates recorded decreases when compared to the same period in 2018.

Formal employment recorded an increase on a quarter-on-quarter (by 10 839) basis and a decrease on a year-on-year basis (by 28 050) to record a total of 1,29 million individuals. Informal employment decreased on a quarterly basis (5 386) and increased by 26 396 on a year-on-year basis to record a total of 205 424 individuals in the third quarter. The share of total employment contributed by informal employment decreased slightly to 12,8% from a previous recording of 13,3% in the second quarter of 2019.

> Cape Town's labour force increased on both a quarter-on-quarter (19 232) and year-on-year (2 108) level recording a total of 1,6 million individuals in the third quarter of 2019.

EMPLOYMENT COMPARISON OF METROS

To measure Cape Town's job creation performance, a comparison with other metropolitan municipalities (metros) in the country is helpful. In the third quarter of 2019, Cape Town had the second largest number of employed people, with 1,6 million people employed in the city, second only to Johannesburg where 1,9 million people were employed. This is to be expected as Johannesburg has a significantly larger population.

Turning attention to employment trends in the third quarter of 2019, the majority of the metros displayed positive employment growth, while only one metro recorded negative employment growth on a quarter-on-quarter basis (refer to figure 5). Tshwane added the most jobs (23 835) with eThekwini (an increase of 23 501 in employment) and Ekurhuleni (an increase of 23 327 in employment) following closely. Cape Town and Nelson Mandela Bay also added to employment with an increase of 19 232 and 16 817, respectively, whilst Johannesburg was the only metro to shed jobs for this quarter (a decrease of 35 928). On a year-on-year level, four metros added to employment while two metros recorded negative employment growth. Johannesburg, similar to its quarterly performance, shed the most jobs (a decline of 85 119) with eThekwini following thereafter (recording a decrease of 27 473). Ekurhuleni added the most jobs with an increase of 72 869 followed by Tshwane (an increase of 35 288), Nelson Mandela Bay (an increase of 6 339) and Cape Town (an increase of 2 108) when compared to third quarter of 2018.

FIGURE 5: EMPLOYMENT COMPARISON WITH OTHER METROS, QUARTER 2, 2019 VERSUS QUARTER 3, 2019
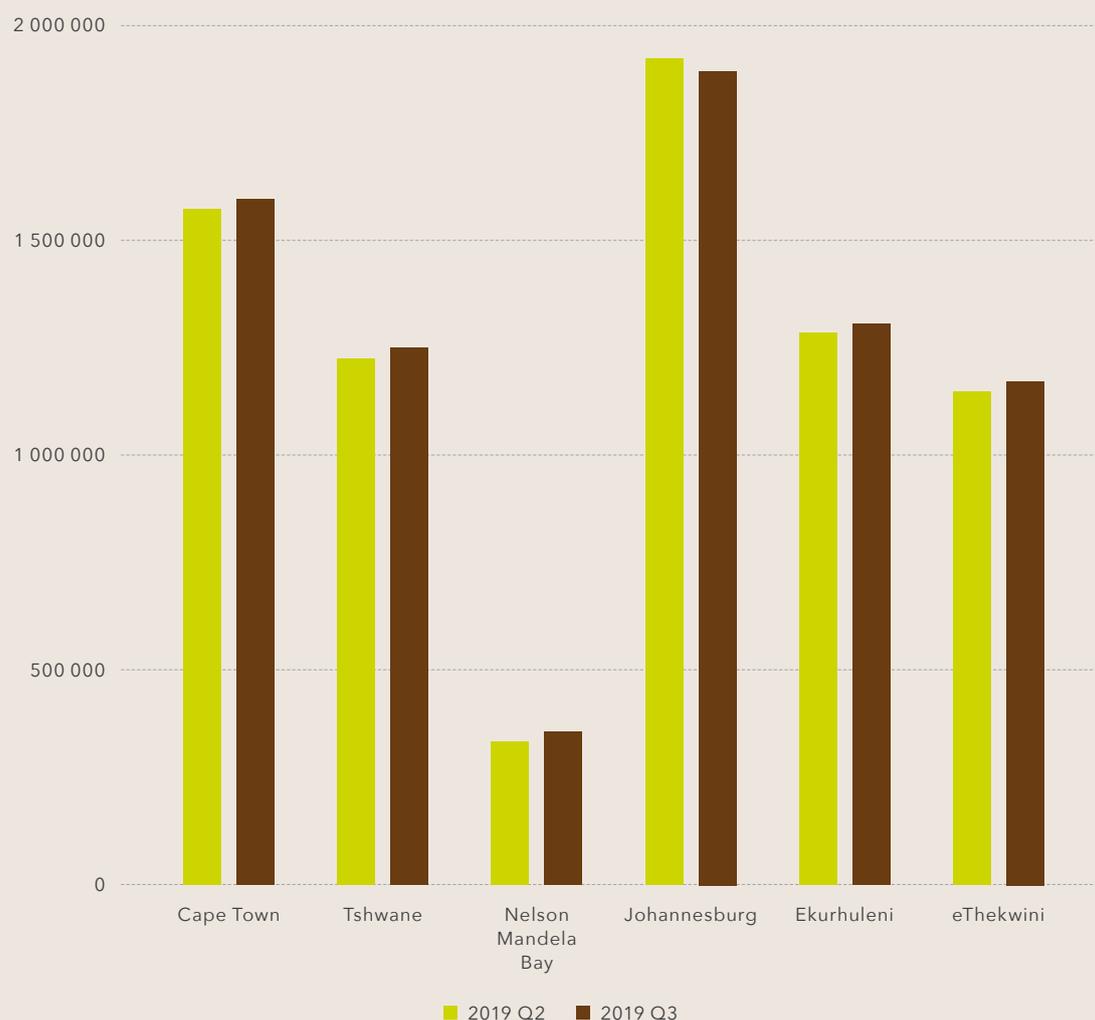
Source: Statistics South Africa, Quarter Labour Force Survey, 2019 Quarter 3, October 2019.

UNEMPLOYMENT IN CAPE TOWN

The number of unemployed people in Cape Town increased on both a quarter-on-quarter (10 943) and a year-on-year (24 009) basis to record a total of 452 660 individuals at the end of the third quarter. The relatively low growth of employment and an increase in unemployment for this quarter resulted in a higher strict unemployment rate (22%) when compared to the previous quarter (21,8%). Similarly, on a year-on-year level, the minimal employment growth relative to the increase in unemployment allowed for an increase in the strict unemployment growth compared to the third quarter of 2018 (21,1%). The youth unemployment rate in Cape Town, defined as the strict unemployment rate for individuals aged 15 to 24, was estimated at 45,6% in the third quarter of 2019, having increased from 44,6% in the previous quarter and on a year-on-year level increasing from 44,3% in the third quarter of 2018. While this is below the national youth unemployment rate of 58,2% (increasing from 56,4% in the previous quarter), it is nonetheless markedly high by developing-country standards and continues to pose 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 (see table 1). On a quarter-on-quarter basis, eThekwini had the lowest strict unemployment rate (21,5% down from a previous 21,9%) while Cape Town had the lowest expanded unemployment rate of 24,2% (increased from a previous 24,0%) when compared to all

the other metros. Nelson Mandela Bay, on the other hand, had the highest strict unemployment rate (34,9%) as well as the highest expanded unemployment rate (35,3%) for this quarter. Ekurhuleni, also, had a 35,3% recording for its expanded unemployment rate. Johannesburg had the largest quarter-on-quarter increases for both its strict (8,6 percentage points) and expanded (1,2 percentage points) unemployment rates when compared to the previous quarter, whilst Nelson Mandela Bay had the largest decrease for both its strict (1,6 percentage points) and expanded (2,5 percentage points) unemployment rates when compared to the second quarter of 2019. 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 the lowest difference of 0,4 of a percentage point difference between the two rates of unemployment, whereas eThekwini recorded a 9,2 percentage points difference, the largest amongst the metros. Cape Town continues to record relatively low differences between the two rates of unemployment (2,3 percentage points difference). This can be attributed to the city having a relatively small number of discouraged work-seekers in the metro.

> The relatively low growth of employment and an increase in unemployment for this quarter resulted in a higher strict unemployment rate (22%) when compared to the previous quarter (21,8%).

TABLE 1: OFFICIAL (STRICT) VERSUS EXPANDED (BROAD) UNEMPLOYMENT RATES

METRO	OFFICIAL (STRICT)			EXPANDED (BROAD)		
	2019 Q3	2019 Q2	2018 Q3	2019 Q3	2019 Q2	2018 Q3
Cape Town	22,0	21,8	21,1	24,2	24,0	22,9
eThekwini	21,5	21,9	18,2	30,6	30,5	27,5
Ekurhuleni	31,0	31,8	30,9	35,3	36,0	35,6
Johannesburg	32,4	23,7	29,2	34,6	33,4	31,5
Nelson Mandela Bay	34,9	36,4	36,4	35,3	37,8	36,7
Tshwane	28,4	29,9	29,4	32,6	33,4	34,9

Source: Statistics South Africa, Quarterly Labour Force Survey, 2019 Quarter 3, October 2019.

SECTOR EMPLOYMENT TRENDS FOR CAPE TOWN

Figure 6 presents the change in the level of employment by sector within Cape Town in the third quarter of 2019. Seven sectors made a positive contribution to employment creation when compared to the previous quarter, with the highest contributions recorded in the transport and communication (13 414) as well as private households (12 860) sectors. Further significant contributions that added to employment came from finance, real estate and business services (8 961) as well as electricity and water (3 941) sectors. Smaller positive contributions to employment were recorded in manufacturing (955); agriculture, forestry and fishing (920) as well as mining and quarrying (641). The remaining sectors experienced a reduction in employment when compared to the previous quarter, namely trade, hotels and restaurants which shed the most jobs (-15 470), followed by the community, social and other personal service (-5 562) and construction (-1 427) sectors.

On a year-on-year basis six sectors displayed positive employment growth and four sectors recorded negative employment growth when compared to the third quarter of 2018. The manufacturing sector added the most jobs with an increase of 15 033 jobs. Finance, real estate and business services (9 459), private households (6 122) as well as community, social and other personal services (6 054) sectors added significantly to employment growth. Trade, hotels and restaurants (2 454) as well as electricity and water (567) sectors also added positively to employment. The construction sector recorded the largest decrease in employment (-30 636). Further reductions in employment were recorded in transport and communication (-2 825); agriculture, forestry and fishing (-2 360) as well as mining and quarrying (-1 759) sectors.

> The sectors that added the most to job creation in Cape Town in the third quarter of 2019 were transport and communication (13 414), private households (12 860) and finance, real estate and business services (8 961).
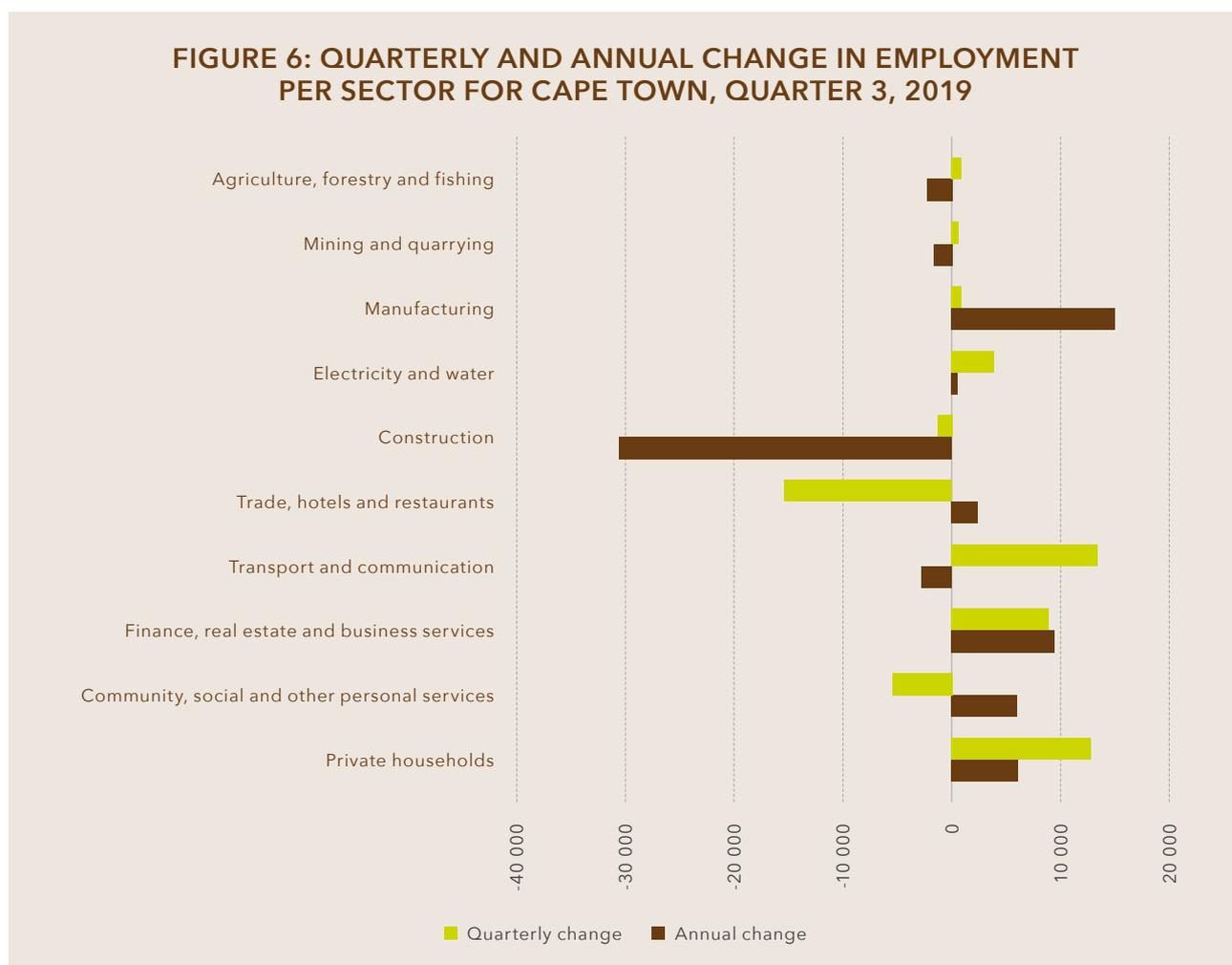
FIGURE 6: QUARTERLY AND ANNUAL CHANGE IN EMPLOYMENT PER SECTOR FOR CAPE TOWN, QUARTER 3, 2019

Source: Statistics South Africa, Quarterly Labour Force Survey, 2019 Quarter 3, October 2019.

06

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. This section reviews infrastructure developments in relation to Cape Town's port and airport.

CONTAINER HANDLING

Container traffic is very seasonal, as figure 7 indicates, thus it is best to compare total containers handled, as measured in twenty-foot equivalent units (TEUs[3]), over the period of a year. In the third quarter of 2019, the Port of Durban[4] was once again the largest container handling port in the country with 756 760 TEUs (comprising 61,15% of all containers handled in South Africa), followed by the Port of Cape Town (18,32%) and the Port of Ngqura[5] (16,73%).

The number of containers handled at the Port of Cape Town increased from 220 947 TEUs in the third quarter of 2018 to 226 764 TEUs in the third quarter of 2019, reflecting a positive growth rate of 2,63%. In contrast, the ports of Durban and Ngqura experienced decreases in container handling of 5,53% and 0,32%, respectively, when compared to the same period in 2018. The positive performance of the Port of Cape Town was outweighed by the decline in the other two ports which resulted in a year-on-year decrease of 5,33% in total container handling at a national scale in the third quarter of 2019, reflecting challenging economic conditions.

FIGURE 7: TOTAL CONTAINERS HANDLED, QUARTER 1, 2015 TO QUARTER 3, 2019
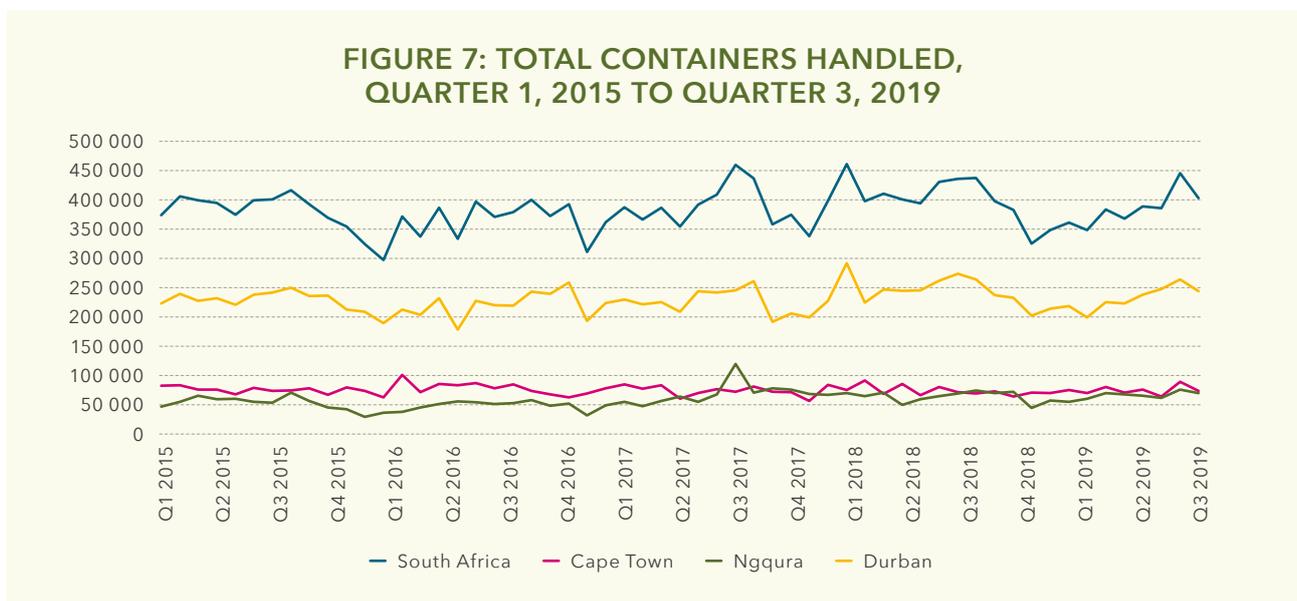
Source: Transnet National Ports Authority (TNPA), November 2019.

The Transnet National Ports Authority (TNPA) is responsible for the management of and ensuring a "safe, effective and efficient economic functioning of the national port system" (TNPA, 2019b). As part of its on-going initiative to improve services at the Port of Cape Town, the TNPA has assigned new tugs to the Port of Cape Town to improve marine efficiency as well as support the port's ability to accommodate increased demand from large commercial vessels, thus enhancing the port's competitiveness (Whitehouse, 2019a). The TNPA is also implementing a craft replacement strategy at this port which includes the acquisition of two new workboats and a helicopter for marine pilot[6] transfers which will help improve marine turnaround times as well as have a positive impact on the overall reliability of port operations and service at the Port of Cape Town (Whitehouse, 2019b).

Additionally, the TNPA's Dredging Services division has begun another maintenance dredging campaign for the year taking place within the Duncan Dock at the Port of Cape Town; this will ensure the port provides safe navigational channels and berthing facilities for shipping (Arnoldi, 2019). These initiatives are anticipated to improve the competitiveness of the Port of Cape Town and potentially bring the performance of this port in line with international best practice as envisioned by National Treasury through its economic policy document (National Treasury, 2019).

---

[3] *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.*
[4] *The Port of Durban is located in the eThekwini metro municipality.*
[5] *The Port of Ngqura is located in the Nelson Mandela Bay metro municipality.*
[6] *Marine pilots are sailors that ensure safe navigation of ships in their waters. They board ships entering or exiting the port or harbour, and navigate them safely in and out avoiding submerged rocks and other hazards.*

AIRPORT STATISTICS

Cape Town International Airport is South Africa's second-busiest airport, after OR Tambo International Airport in Johannesburg. It recorded 2,63 million total passenger movements (arrivals and departures) in the third quarter of 2019 compared to 5,64 million passenger movements at OR Tambo International and 1,60 million at King Shaka International airports during the same period.

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 again towards the third quarter with the onset of summer.

FIGURE 8: TOTAL (MONTHLY) PASSENGER MOVEMENTS AT SOUTH AFRICA'S MAJOR AIRPORTS, QUARTER 1, 2014 TO QUARTER 3, 2019
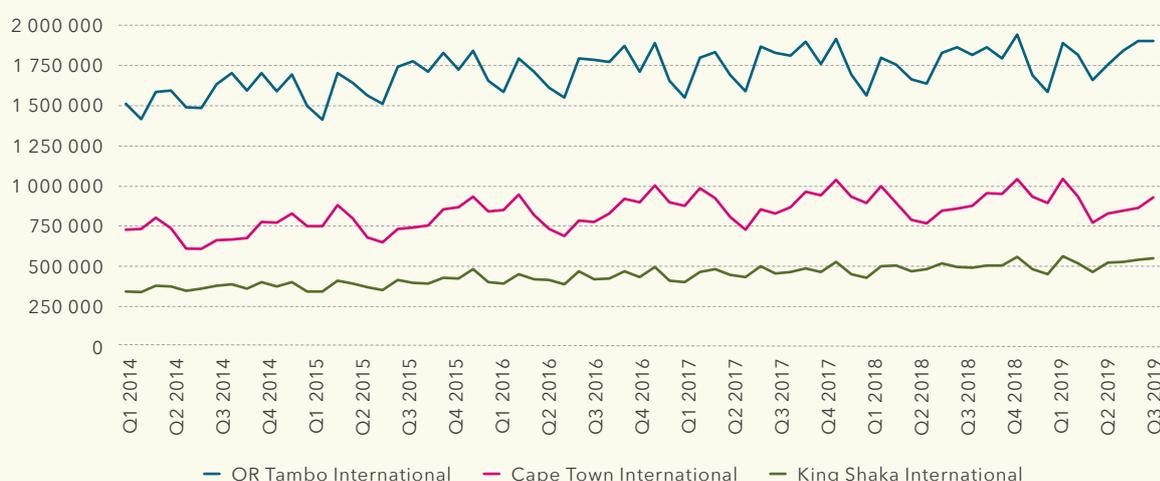
Source: Airports Company South Africa, November 2019.

Total passenger movements at Cape Town International in the third quarter of 2019 recorded a year-on-year increase of 2,13%, representing 54 906 additional passenger movements compared to the third quarter of 2018. OR Tambo International's total passenger movements had a year-on-year increase of 2,46% in the third quarter of 2019, whilst King Shaka International saw a year-on-year increase of 6,98% (albeit off the smallest base number).

Total passenger arrivals at Cape Town International continued to show slow recovery, following dampened tourist activity (from air departure markets) during 2017 and 2018, recording an increase of 2,10% in the third quarter of 2019, compared to the third quarter of 2018. Domestic arrivals recorded a year-on-year increase of 3,96% in the third quarter of 2019, whilst international arrivals recorded a year-on-year decline of 4,63%. The positive performance in domestic arrivals may be partly attributed to the increase in South Africans travelling and touring local destinations, despite the prevailing tough economic conditions putting pressure on disposable income (Business Report, 2019a).

Despite the poor year-on-year performance of the international arrivals market in the third quarter of 2019

it may not be a continuing trend. Local visa requirements continue to undergo changes with the most recent including the Department of Home Affairs easing visa regulations for international minors travelling to South Africa, whilst several more countries have been granted "visa-free status" to South Africa (Correira, 2019). In addition, the new e-visa system piloted at Cape Town International Airport and Lanseria International Airport is set to be launched with the aim of providing a "quick and user-friendly experience" (Correira, 2019), whilst the pilot and roll-out of e-gates across the country is expected to further complement these objectives, better equipping local airports to efficiently manage passenger movements (BusinessTech, 2019).

Furthermore, international passenger movements may improve as a result of several direct flights coming online, such as Kenya Airways adding two direct flights from Nairobi to Cape Town (Wesgro, 2019a) and United Airlines' direct flights between New York and Cape Town (Naidoo, 2019). These direct flights not only increase access between the respective cities, but further enhances access between Cape Town and the respective countries and continents (Business Report, 2019b).

07

TOURISM

In a global climate of relatively subdued economic performance, tourism continues to outshine traditional economic sectors. As an internationally renowned tourist destination boasting iconic and world-class tourist attractions, including one of the New7Wonders of Nature, Cape Town is well placed to take advantage of the global growth of the tourism industry.

TOURISM

Cape Town is a well-known tourist destination, both locally and internationally, and the tourism sector is a valuable contributor to the city's economy. The occupancy and revenue figures presented in table 2 are derived from a monthly survey[7] of an average of 103 tourism accommodation establishments in the Cape Town metropolitan area (Cape Town Tourism, 2019). Occupancy rates at city accommodation establishments increased by an average of 1,8 percentage points in the third quarter of 2019 compared to the same period in 2018. The month of September recorded the highest occupancy rate (67,5%) in the third quarter of 2019, whilst the highest year-on-year increase was recorded in July with 4,1 percentage points when compared to July 2018. The improved occupancy rate through most of the third quarter of 2019 reflects the onset of summer, and is in line with seasonal trends. The average room rate increased by R44, year-on-year, in the third quarter of 2019, while the revenue per room increased by R58 over the same period.

Overall, tourist accommodation in Cape Town, on average, performed better than the corresponding period last year. The positive year-on-year results for the third quarter of 2019 also marks a turnaround in tourist accommodation, following consecutive negative year-on-year performances since 2017; this despite prevailing slow economic growth and low levels of consumer confidence. Alongside the improved occupancy rates, average room rates continued to increase in the third quarter of 2019 when compared to the same period in 2018, thus ensuring that revenue per room also increased year-on-year. For the third quarter of 2019, hotels reflected the highest occupancy rate of 62,8%, followed by self-catering establishments (62,6%).

> The average room rate increased by R44, year-on-year, in the third quarter of 2019, while the revenue per room increased by R58 over the same period.

For the third quarter of 2019 four of Cape Town's five major tourist attractions[8] experienced increases on a quarter-on-quarter basis; Table Mountain Park: Cape of Good Hope reflected the highest increase in number of visits (41 077 at a rate of 18,5%), whilst Table Mountain Aerial Cableway observed the only decline in the number of visits (-68 290 at a rate of -28,5%). On a year-on-year basis, however, only Table Mountain Park: Cape of Good Hope reflected an increase in the number of visits (14 200), while Table Mountain Aerial Cableway recorded the highest negative year-on-year growth rate of -21,0%, also impacted by its annual maintenance closure period which was an extended five weeks for 2019 (Table Mountain Aerial Cableway, 2019a, 2019b and 2019c). On average, the number of visits declined by 7,2% in the third quarter of 2019 across the five attractions when compared to the corresponding period in 2018.

TABLE 2: INCOME DERIVED FROM TOURIST ACCOMMODATION[9], QUARTER 3, 2018 VERSUS QUARTER 3, 2019

INDICATOR	JULY		AUGUST		SEPTEMBER		Q3 AVERAGE	
	2019	2018	2019	2018	2019	2018	2019	2018
Occupancy rate	55,0	50,9	58,5	59,2	67,5	65,3	60,3%	58,5%
Average room rate	R1 590	R1 581	R1 591	R1 584	R1 637	R1 520	R1 606	R1 562
Average revenue per room	R875	R805	R930	R938	R1 104	R992	R970	R912

Source: Derived from Cape Town Tourism data, Selected Accommodation Establishments, December 2019.
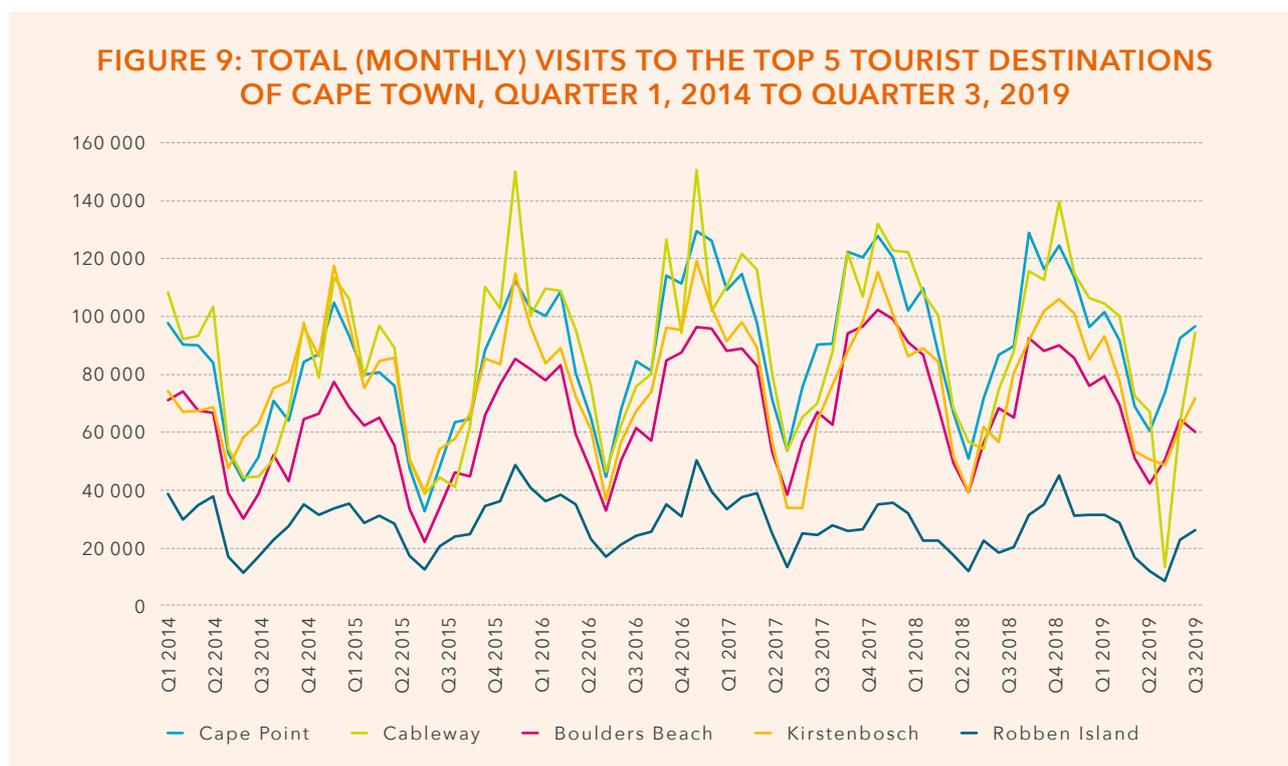
[7] *Important to note is that the monthly survey varies every month in both sample size and the specific respondents.*
[8] *Includes Cape of Good Hope, Boulders Beach, Table Mountain Aerial Cableway, Kirstenbosch National Botanical Gardens and Robben Island; excludes the V&A Waterfront.*
[9] *As the sample changes with each monthly survey conducted (see previous footnote 8), the data applicable to the previous quarter (e.g. average occupancy rate of 58,2% for the second quarter of 2018) will differ from that published in the appropriate past quarterly EPIC (i.e. EPIC 2018: Q2 reports an occupancy rate of 53,1% for the second quarter of 2018).*

Figure 9 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 occur during the period May to July, which are Cape Town's winter months.

FIGURE 9: TOTAL (MONTHLY) VISITS TO THE TOP 5 TOURIST DESTINATIONS OF CAPE TOWN, QUARTER 1, 2014 TO QUARTER 3, 2019

— Cape Point — Cableway — Boulders Beach — Kirstenbosch — Robben Island

Source: Derived from Wesgro and Cape Town Tourism data, December 2019.

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.

BUILDING DEVELOPMENTS

The economic growth data for the third quarter of 2019 highlights that output at a national level in the construction industry declined by 2,7% quarter-on-quarter - the sector's fifth consecutive quarter of negative growth. On a year-on-year basis the sector recorded its tenth consecutive contraction (-1,7%). Mirroring national trends, the Western Cape's construction industry contracted by 2,7% quarter-on-quarter and 1,7% year-on-year in the third quarter of 2019 (Quantec, 2019). After its brief uptick to 29 points in the second quarter of 2019, the First National Bank (FNB)/BER composite Building Confidence Index[10] (BER, 2019b) decreased to a two-decade low of 22 index points in the third quarter of 2019. According to the BER, the overall decline is underpinned by "a deterioration in building activity. Of the index's six sub-sectors, five obtained lower confidence scores, with building material manufacturers the only sub-sector to register a higher confidence and rising by 17 index points to register 39 index points in the third quarter of 2019.

Building plans submitted to the City in the third quarter of 2019 decreased by 9,7% from the previous quarter to record 4 920 submissions. Figure 10 provides an annual comparison of the number of building plans submitted in each of the quarters over the past eight years, thereby controlling for seasonal trends in the building and construction industry. Building plans submitted to the City in the third quarter of 2019 decreased by 25,6% compared to the corresponding period in 2018, continuing its decline in year-on-year performance. This reflects the weak confidence in the industry at present, also captured in the FNB/BER Civil Confidence Index which, despite improving slightly in the third quarter of 2019 (up by 4 index points to 15), continued to record an index below 20 for the past two years. (BER, 2019c).

> Building plans submitted to the City in the third quarter of 2019 decreased by 9,7% from the previous quarter to record 4 920 submissions.

FIGURE 10: BUILDING PLANS SUBMITTED TO THE CITY OF CAPE TOWN, QUARTER 1, 2012 TO QUARTER 3, 2019
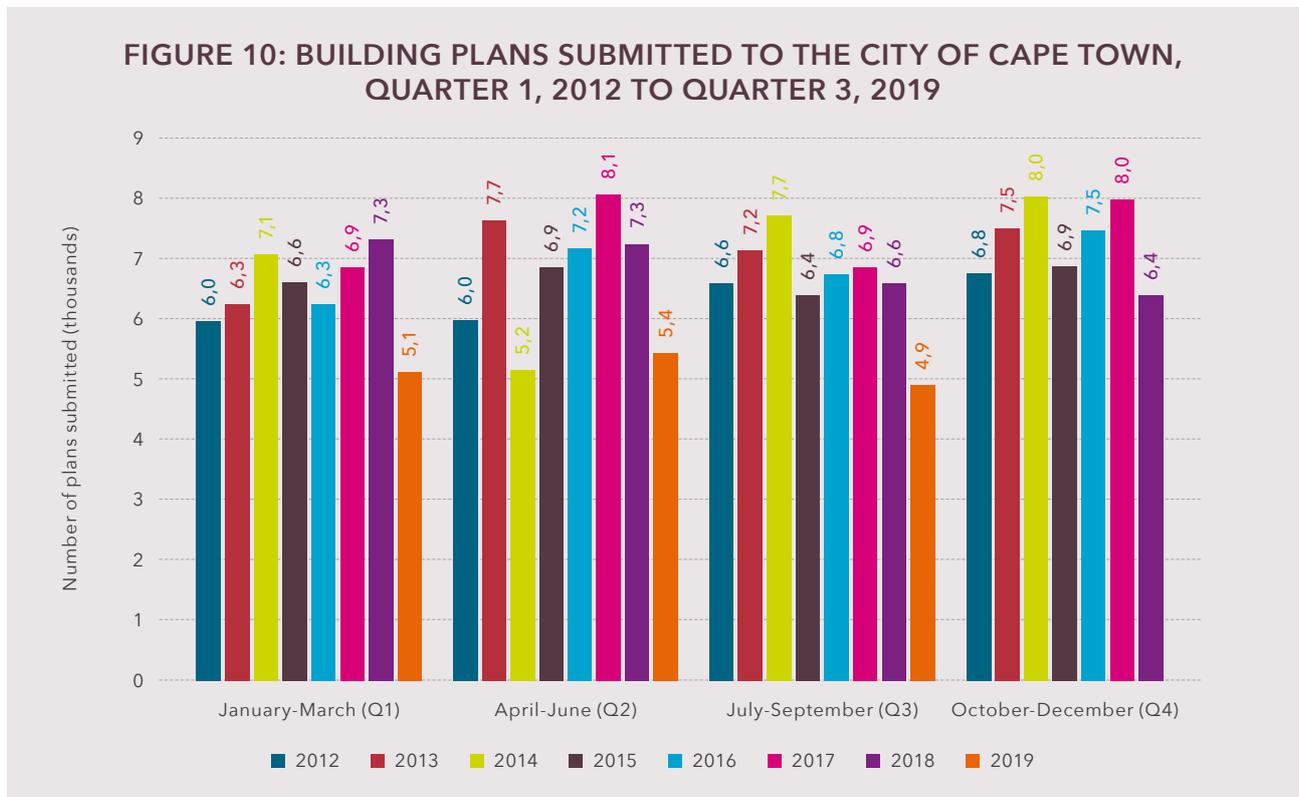
Source: Planning and Building Development Management Department, CCT, November 2019.

[10] *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.*

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 11 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 finance, business and real estate services sector is the largest in Cape Town and as such property developments in this sector are a useful measure of economic activity.

In the third quarter of 2019, construction of 13 602 m² of new office or banking space was reported to have been completed in Cape Town, as well as 3 160 m² of office or banking space alterations. Following an improved performance in the previous quarter, new office or banking space recorded decreases in both quarter-on-quarter and year-on-year comparisons for the third quarter of 2019.

As figure 11 shows, Cape Town's office vacancy rate[12] increased by 0,1 of a percentage point to 7,70% in the third quarter of 2019, and remains the lowest vacancy rate across the five largest metropolitan municipalities (South African Property Owners Association [SAPOA], 2019).

According to SAPOA (2016), a sustained improvement in the office vacancy rate (i.e. return to the natural vacancy rate[13]), depends on the long-term strength of key economic drivers such as economic growth and business confidence. However, the decrease in the GVA growth rate of the finance and business service sector in the third quarter of 2019 appears not to have had a significant impact on the office vacancy rate during this period. This may be due to the lag experienced in the relationship between the demand for office space and economic/output growth or may be because increased availability of office space counterbalanced the increased demand for office space.

> In the third quarter of 2019, construction of 13 602 m² of new office or banking space was reported to have been completed in Cape Town, as well as 3 160 m² of office or banking space alterations.

FIGURE 11: OFFICE/BANKING SPACE SECTOR DEVELOPMENTS, QUARTER 1, 2017 TO QUARTER 3, 2019
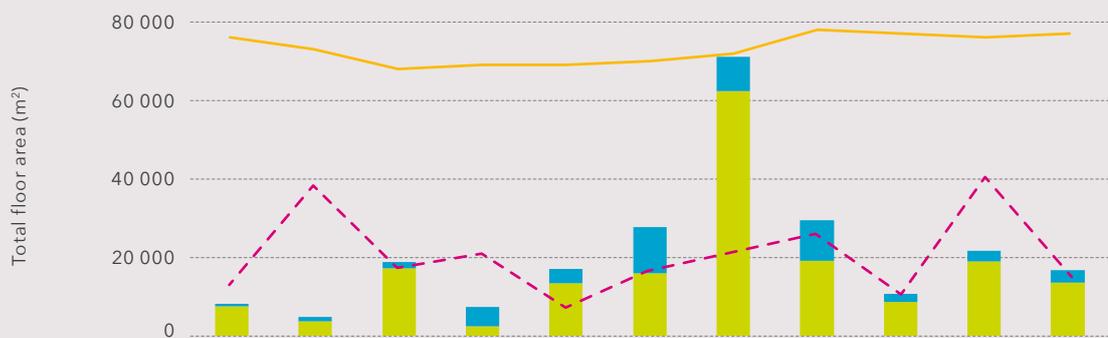
	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
■ Total floor area of alterations of office/bank space	622	1 086	1 672	5 027	3 729	11 782	8 648	10 284	2 146	2 696	3 160
■ Total floor area of completed new office/bank space	7 548	3 629	17 164	2 346	13 368	15 893	62 594	19 179	8 568	18 960	13 602
■ Office vacancy rate	7,60%	7,30%	6,80%	6,90%	6,90%	7,00%	7,20%	7,80%	7,70%	7,60%	7,70%
■ Quarter-on-quarter change in finance, real estate and business services' GVA	1,31%	3,84%	1,72%	2,11%	0,74%	1,70%	2,11%	2,63%	1,04%	4,10%	1,58%

Source: Planning and Building Development Management Department, CCT, November 2019; Quantec, December 2019; and SAPOA, 2019.

[12] *The vacancy rate is the percentage of all available units in a rental property, such as a hotel or apartment complex, that are vacant or unoccupied at a particular time.*

[13] *The natural vacancy rate is defined as the normal, average, or traditional percentage of rental properties in a community that are not leased or occupied.*

NEW VEHICLE SALES

Total vehicle market sales in the Western Cape increased from 13 141 in the second quarter of 2019 to 13 631 in the third quarter of 2019. Year-on-year results reflect a decrease in vehicle sales of 7,84% (1 160 units) from 14 791 vehicles sold in the same period of 2018. Passenger vehicle sales in the Western Cape, which reflect the private consumer segment of the market, increased from 8 658 in the second quarter of 2019 to 8 673 in the third quarter of 2019, whilst the year-on-year results indicate a decline of 12,43% (1 231 units), as compared to the 9 904 vehicles sold in the third quarter of 2018. At a national level, a year-on-year decrease of 4,65% was observed with a total of 89 852 passenger vehicles sold in the third quarter of 2019, compared to 94 232 passenger vehicles sold in the third quarter of 2018. The National Association of Automobile Manufacturers of South Africa (NAAMSA) has noted that vehicle sales are a good leading indicator of the economic climate thus the continued weak domestic demand is mirroring the ongoing low business and consumer levels due to the weak economic condition (NAAMSA, 2019b).

Overall, the local automotive industry had another challenging quarter attributed to macroeconomic challenges such as Fitch's Ratings' credit downgrade to negative; increased unemployment and pressure on disposable incomes (Reddy, 2019). Despite new vehicle prices increasing below inflation as well as the interest rate decreasing by 25 basis points in July 2019 (SARB, 2019b), consumers have opted to delay purchasing decisions as a result of continued economic uncertainty and low consumer confidence (Reddy, 2019). Additionally, changes in the interest rate and petrol prices; slower price increases; dealer incentives and lower inflation were ineffective as consumers continue to spend less on cars by shifting demand to "less expensive entry level vehicles" and used cars (Reddy, 2019). Although uncertainty in the market and poor performance in vehicle sales still remain, NAAMSA is positive about their long-term strategic objectives which includes increasing local vehicle production; increasing localisation of automotive components at all tiers; producing more affordable vehicles as well as introducing more environmentally-friendly and fuel efficient vehicles such as electric vehicles (Smith, 2019).

> Year-on-year results reflect a decrease in vehicle sales of 7,84% (1 160 units) from 14 791 vehicles sold in the same period of 2018.
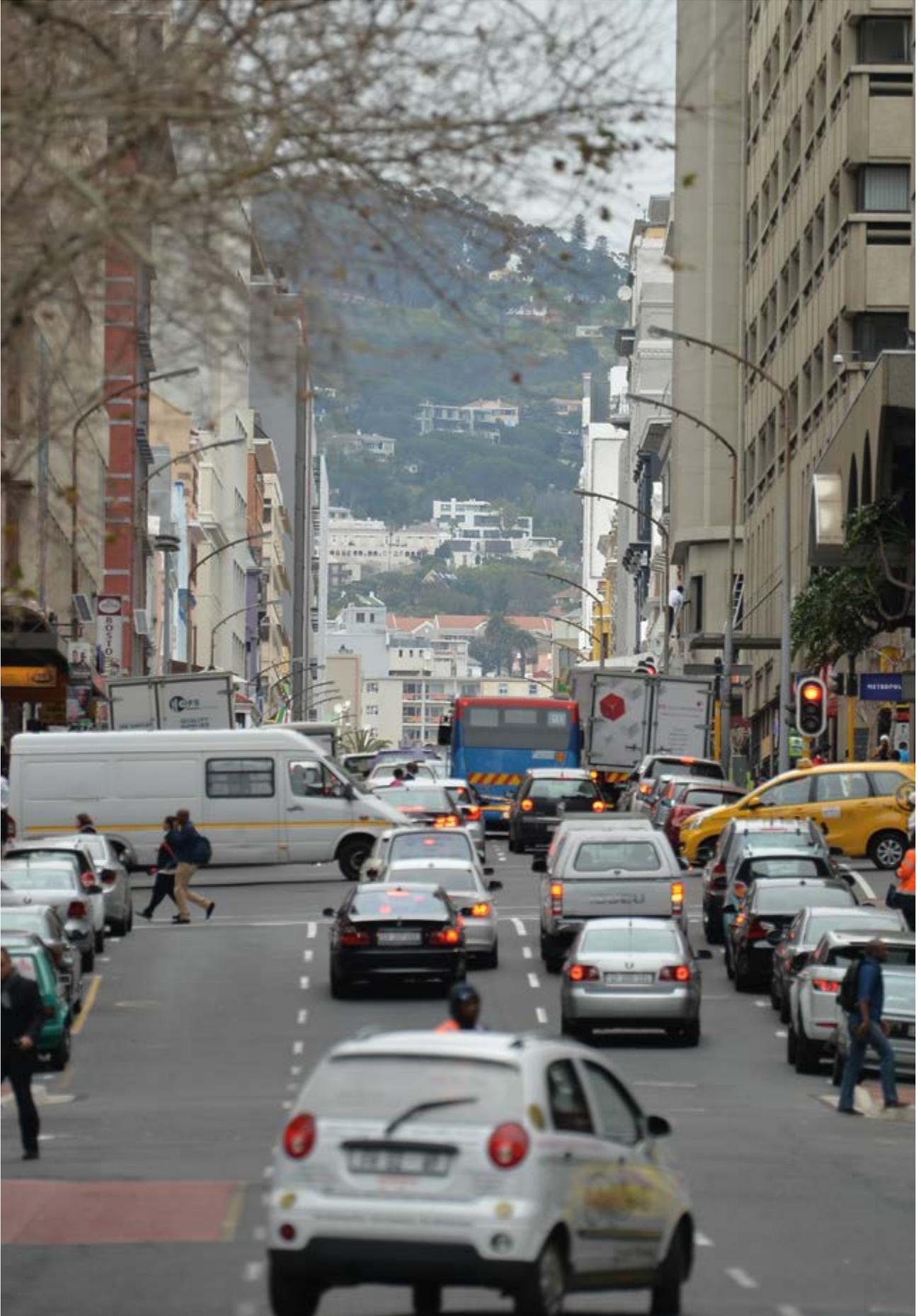
REFERENCE LIST

Airports Company South Africa (ACSA), 2019, Passenger movements.

Arnoldi, M., 2019, TNPA starts dredging maintenance at Cape Town port, Engineering News, 12 November 2019, Available: *http://www.engineeringnews.co.za/article/tnpa-starts-dredging-maintenance-at-cape-town-port-2019-11-12/rep_id:4136* [2019, November 13].

Bureau for Economic Research (BER), 2019a, GDP comment: GDP contracts in Q3, 2019 forecast intact, 3 December 2019.

Bureau for Economic Research (BER), 2019b, FNB/BER Building Confidence Index, Quarter 3, 2019.

Bureau for Economic Research (BER), 2019c, Construction, Third quarter 2019.

BusinessTech, 2019, South African airports to get new e-gates – here's what you need to know, BusinessTech, 8 March 2019, Available: *https://businesstech.co.za/news/lifestyle/304336/south-african-airports-to-get-new-e-gates-heres-what-you-need-to-know/* [2019, June 10].

Business Report, 2019a, Four key factors that are driving the growth of domestic tourism, Independent Online (IOL), 11 September 2019, Available: *https://www.iol.co.za/business-report/economy/four-key-factors-that-are-driving-the-growth-of-domestic-tourism-32818171* [2019, November 13].

Business Report, 2019b, Kenya Airways adds two direct flights to non-stop Cape Town-Nairobi route, Independent Online (IOL), 15 August 2019, Available: *https://www.iol.co.za/business-report/companies/kenya-airways-adds-two-direct-flights-to-non-stop-cape-town-nairobi-route-30815138* [2019, November 13].

Cape Town Air Access, 2019, Kenya Airways adds 2 direct flights to non-stop Cape Town – Nairobi route, 19 August 2019, Available: *https://www.wesgro.co.za/air-access/news/2019/kenya-airways-adds-2-direct-flights-to-non-stop-cape-town-nairobi-route* [2019, December 4].

Cape Town Tourism, 2019a, Accommodation Performance Review and Forecast Report, July to September 2019.

Cape Town Tourism, 2019b, Highlights and Monthly Dashboards, July to September 2019.

City of Cape Town, 2019, Building developments, January 2011 to September 2019, Spatial Planning and Environment: Planning and Building Development Management Department.

Correira, S., Birth certificate visa requirements for entry into South Africa updated, The South African, 11 November 2019, *https://www.thesouthafrican.com/travel/does-child-need-a-birth-certificate-when-travelling-to-south-africa-answer/* [2019, November 13].

IHS Markit, 2019, Regional eXplorer.

Macrotrends, 2019, Brent Crude Oil Prices - 10 Year Daily Chart, Available: *https://www.macrotrends.net/2480/brent-crude-oil-prices-10-year-daily-chart* [2019, November 5].

Naidoo, S., 2019, New York direct flights a boon for Cape Town tourism, Moneyweb, 20 November 2019, Available: *https://www.moneyweb.co.za/news/south-africa/new-york-direct-flights-a-boon-for-cape-town-tourism/* [2019, November 29].

National Association of Automobile Manufacturers of South Africa (NAAMSA), 2019a, New vehicle sales, January 2008 to September 2019.

National Association of Automobile Manufacturers of South Africa (NAAMSA), 2019b, Press release: Comment on the September 2019 New Vehicle Sales Statistics, NAAMSA, 1 October 2019, Available: *https://www.naamsa.co.za/SalesStats*, [2019, November 13].

National Energy Regulator of South Africa (NERSA), 2019, correspondence, 2019 March 13.

National Treasury, 2019, Economic transformation, inclusive growth, and competitiveness: A contribution towards a growth agenda for the South African economy, National Treasury: Economic Policy Division, 31 October 2019, *http://www.treasury.gov.za/comm_media/press/2019/Towards%20a%20Growth%20Agenda%20for%20SA.pdf* [2019, November 8].

Quantec, 2019, EasyData.

Reddy, K., 2019, TransUnion Vehicle Pricing Index Q3 2019. TransUnion, Available: *https://newsroom.transunion.co.za/sa-car-industry-remains-under-pressure-in-face-of-low-confidence/?_ga=2.71542611.198781228.1575975379-1293202841.1575975379* [2019, November 18].

Smith, C., 5 questions for Michael Mabasa, CEO of the National Association of Automobile Manufacturers of SA, Fin24, 14 July 2019, Available: *https://www.fin24.com/Companies/Industrial/5-questions-for-michael-mabasa-ceo-of-the-national-association-of-automobile-manufacturers-of-sa-20190709* [2019, November 14].

South African Property Owners Association (SAPOA), 2016, Office Vacancy Report, Q2 – July 2016.

South African Property Owners Association, 2019, Office Vacancy Report, Q3 – September 2019.

South African Reserve Bank (SARB), 2019a, Statement of the Monetary Policy Committee, 19 September 2019.

South African Reserve Bank (SARB), 2019b, Statement of the Monetary Policy Committee, 18 July 2019.

Statistics South Africa, 2019, various publications.

Table Mountain Aerial Cableway, 2019a, Cableway's extended 2019 annual maintenance shutdown announced, Available: *https://www.tablemountain.net/blog/entry/cableways-extended-2019-annual-maintenance-shutdown-announced* [2019, December 18].

Table Mountain Aerial Cableway, 2019b, Cableway announces 2018 annual maintenance dates, Available: *https://www.tablemountain.net/blog/entry/cableway-announces-2018-annual-maintenance-dates* [2019, December 18].

Table Mountain Aerial Cableway, 2019c, Cableway reopens today!, Available: *https://www.tablemountain.net/blog/entry/cableway-re-opens-today* [2019, December 18].

Transnet National Ports Authority of South Africa, 2019a, Transnet Port Terminals: Ports Statistics.

Transnet National Ports Authority of South Africa, 2019b, Transnet National Ports Authority, Available: *https://www.transnet.net/Divisions/Pages/NPAuthority.aspx* [2019, September 23].

Wesgro, 2019a, Kenya Airways adds 2 direct flights to non-stop Cape Town – Nairobi route, Cape Town Air Access, 19 August 2019, Available: *https://www.wesgro.co.za/air-access/news/2019/kenya-airways-adds-2-direct-flights-to-non-stop-cape-town-nairobi-route* [2019, November 2019].

Wesgro, 2019b, Cape Town attractions: July to September 2019.

Whitehouse, B., 2019a, Port of Cape Town Boosts Tug Fleet With Umbilo, Southern Africa Shipping News, 18 October 2019, Available: *http://www.sashippingnews.com/2019/10/18/port-of-cape-town-boosts-tug-fleet-with-umbilo/* [2019, November 11].

Whitehouse, B., 2019b, Port of Cape Town to Introduce Helicopter Marine Pilotage Service, Southern Africa Shipping News, 27 May 2019, Available: *http://www.sashippingnews.com/2019/05/27/port-of-cape-town-to-introduce-helicopter-marine-pilotage-service/* [2019, August 7].

ABBREVIATIONS

ACSA: Airports Company South Africa

AI: artificial intelligence

BER: Bureau for Economic Research

CPI: consumer price index

EPIC: Economic Performance Indicators
           for Cape Town

e-gate: electronic gate

e-visa: electronic visa

FNB: First National Bank

GDP: gross domestic product

GDP-R: regional gross domestic product

GGP: gross geographic product

GVA: gross value added

IEGS: Inclusive Economic Growth Strategy

MPC: Monetary Policy Committee

NAAMSA: National Association of Automobile
           Manufacturers of South Africa

NEET: not in education, employment and training

PMI: Purchasing Manager's Index

PPI: producer price index

SAPOA: South African Property Owners Association

SARB: South African Reserve Bank

TEU: twenty-foot equivalent unit

TNPA: Transnet National Ports Authority

WWW.INVESTCAPETOWN.COM

@investcapetown

Invest Cape Town

CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

Making progress possible. Together.