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## Economic Performance Indicators for Cape Town


# 2020 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 and analyses economic (and related) trends in Cape Town on a quarterly basis. This edition focuses on the third quarter of 2020, covering the period 1 July to 30 September 2020.

## 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:**
Alfred Moyo
Monique Petersen
Jodie Posen
Yoliswa Tiwe

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

**Manager: Place Marketing:**
Rory Viljoen

**Project manager:**
Tarryn Voigt-Mallum

**Success stories:**
Caryn Jeftha
HelloFCB
Kim Whitaker

**Email:**
economic.research@capetown.gov.za
info@investcapetown.gov.za

**Online access:**
www.capetown.gov.za/EPIC

## ADDITIONAL SOURCES OF INFORMATION

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

**City of Cape Town Electricity Generation and Distribution:**
Cornie Malan

# FOREWORD

**Although the full effect of the various stages of the national lockdown is yet to be quantified, the short-term costs for the economy have been dire. Early on in the global Covid-19 pandemic, I set up an essential task team to work on our response to the impact of the lockdown measures.**

The City's Economic Action Plan (EAP) serves as its economic response and contingency plan for the short-term crisis facing the local economy because of the various stages of lockdown. All our plans and programmes are aimed at getting our local economy back on its feet as fast as possible, but also to build a stronger, more resilient economy for generations to come. We focus our energy on attracting investment in high-growth sectors, which creates jobs and leads to economic expansion.

To help us in this pursuit, we partner with, and provide funding to, our Strategic Business Partners in high-growth sectors like Business Process Outsourcing (call centres), the green economy, craft and design, boat building, all of which are poised for significant growth.

During the Covid-19 crisis, my team and I reviewed our Strategic Business Partners' business implementation plans in a bid to repurpose available funding to better assist businesses to get through the lockdown, adapt to the new normal, and position themselves for growth into the future. I am very proud to confirm that over just six months between April and September 2020, the City's Strategic Business Partners (SBPs) collectively facilitated R8,8 billion worth of investment, created 4 980 new jobs and trained 1 366 people.

The City of Cape Town has also made various forms of support and relief available to local businesses. These measures include the following:

- Lease deferments for commercial leases for City-owned premises
- Rates relief for certain categories of tourism properties
- Industry support in partnership with our strategic business partners
- Smart procurement and supplier development programmes
- Workforce development and training for high-growth sectors
- Business retention and expansion initiatives
- Investment facilitation and promotion

Even before Covid-19, many businesses found themselves in distress, and the pandemic has exacerbated this situation. The challenges are not just financial, as most of these businesses are struggling with productivity, or streamlining their processes, to ensure optimal outcomes and expansion potential into the future. In response to this, the City has joined forces with Productivity SA to offer the Business Support Programme, which is designed to provide businesses in distress with the help they need. Operated through the Business Hub, the programme targets small businesses that employ between 15 and 50 staff members, partnering with them to proactively address the challenges they are facing and prevent liquidation, closure and job losses.

During the toughest times of the lockdown, I visited three companies operating in the clothing, food and beverages, and electronics manufacturing sectors respectively, and which are part of our Business Support Programme. I am very proud to report that despite the challenges they were facing, our interventions have enabled all of these businesses to expand to the point where the clothing company now supplies uniforms to big corporates, the food company is supplying popular restaurants, and the electronic manufacturer is even exporting to China.

For our city to compete globally and achieve inclusive socio-economic growth, we know that we must invest in skills and training, especially for those sectors that are poised for substantial growth, thereby attracting investment and delivering employment opportunities. The Cape Skills and Accelerator Employment project, a first of its kind partnership between the National Skills Fund (NSF), Province, and the private sector, is such an investment. The project does not train just for training's sake; it will create over 3 000 training and placement opportunities for marginalised youth and women in the business process outsourcing (or call centre) sector, as well as the clothing and textile sector.

As a result of its work in the clothing and textile sector, the project will enable SMMEs to take on machinists at a greatly reduced cost to their businesses – with savings further enhanced by tax incentives and rebates – while creating learning and work opportunities for unemployed women. Young people and women participating in the programme will be supported in their employability development journeys by means of an accredited learnership (NQF level 2) in either clothing, footwear, leather, or textile production.

Often, in my interactions with businesses, I am told how they struggle to source the right people with the appropriate skills that they need to sustain and grow their operations. Through this new Cape Skills and Employment Accelerator Project, and our other ongoing strategic business partnerships, the City is ensuring that key sectors have the skills pipeline they need to deliver on increasing demand for their products, which in turn will create a cycle of business growth and additional employment.

To further address this skills gap, the City operates a workforce development programme called Jobs Connect. Through the programme we have created a better link between talent demand and supply. Unemployed residents, with a focus on women and youth, are provided with work-readiness training and are then entered into a database that is shared with prospective employers to give them access to potential employees with the skills and training needed in their business.

Another vital cornerstone of business and employment growth in Cape Town is the city's capacity to attract investment. Cape Town already has a very strong investment ecosystem, precisely because of the good working relationships between the City and its SBPs. Those SBPs attract the investors, and the City's Investment Facilitation Unit (IFU), which exists in the Enterprise and Investment Department, ensures that their experience of investing in Cape Town is as smooth and effortless as possible.

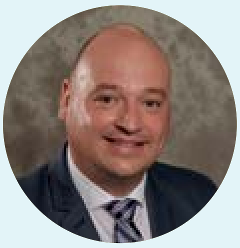
The IFU does this by navigating municipal processes, clearing bottlenecks, and providing business retention and expansion services such as financial and non-financial investment incentives, to make sure that businesses grow and create job opportunities. By way of example, the IFU recently assisted the proudly Capetonian PayGas company with access to a non-financial incentive in the form of fast-tracked building plan approvals, so that they could launch gas refilling stations in Nyanga and Philippi. This not only promoted business success, but also delivers value to residents in these areas who can now access affordable basic energy for cooking, heating and lighting from gas refilling stations close to their homes and communities.

Another example of the effectiveness of the IFU was the assistance and support it recently provided to the world's largest pharma-tech company, Roche, in the process of expanding its operations in Cape Town.

Then, in August 2020 the City facilitated access to investment incentives that enabled the investment in Cape Town by Amazon Web Services – the largest capital investment in South Africa since 1994.

Also, as a part of our business retention and expansion efforts, my department is currently rolling out surveys with the businesses in each of Cape Town's 26 industrial areas. I have joined my team in the field to learn about the needs, concerns, suggestions and perceptions of local businesses. With this information, we intend to address any issues in our control that might be holding back the growth of these businesses. In the near future, I look forward to launching a first of its kind, fully kitted mobile business help desk that will allow us to take help to the businesses that need it, right where they exist.

It is very pleasing to note that the strategies the City has implemented, and its collective achievements, demonstrate that where there is a will, there certainly is a way to attract significant investment that will create the jobs our economy needs to thrive.



**Alderman James Vos**
Mayoral Committee Member for Economic Opportunities and Asset Management

# CONTENTS

**Electronic document navigation:**

Click on entries on the contents page to go to the relevant page.

Click on the page number at the bottom left or bottom right of each page to go back to the contents page.

## LIST OF TABLES



## LIST OF FIGURES

# INTRODUCTION

**This is the 30th edition of the EPIC publication that presents and analyses economic (and related) trends in Cape Town on a quarterly basis. Focusing on quarter 3 of 2020, one can see some green shoots of recovery after the Covid-19 lockdown level 5 losses experienced in quarter 2. Although the economy has improved in quarter 3 compared to quarter 2 of 2020, it has worsened compared to the same quarter in the previous year.**

The unprecedented losses in quarter 2, due to the lockdown regulations, resulted in the worst annualised quarterly GDP declines in South Africa (-51,7%) and the Western Cape (-51,2%). After the stringent lockdown, with the easing of many restrictions, South Africa's annualised 2020 quarter 3 GDP grew by 66,1% quarter-on-quarter, better than the Bloomberg consensus expectation of 55%. The Western Cape GDP-R, a proxy for Cape Town's GDP-R, grew by a lower 57,7% over the same period, impacted by its nominal mining activity, a sector that accounted for most of the growth at a national level. The manufacturing sector benefited the most from the easing of restrictions, with the highest contribution to total provincial growth (adding 20,9 percentage points). While it may be tempting to view the 57,7% growth as a full rebound of economic output from the quarter 2 losses, this is not the case. National and provincial GDP in the third quarter of 2020 was still less than it was in quarter 3 of 2019, with year-on-year losses of 6,1% and 6,7% respectively. These declines have severely impacted economic output, which is expected to take a few years to return to 2019 levels.

Results from the Quarterly Labour Force Survey (QLFS) for quarter 3 show the long-term consequences of the Covid-19 pandemic and the associated regulations on Cape Town's labour market. Although the QLFS showed that 20 000 jobs were gained in Cape Town from quarter 2 to quarter 3, due to a large bounce-back in the informal sector, Cape Town still had 190 000 fewer jobs than in quarter 3 of 2019. If conditions allow, this unprecedented number of job losses could be recovered over the next three years. However, the unemployment figure is exacerbated by the 54 000 additional people joining the working age cohort over this time, when compared to quarter 3 of 2019. This had the dual effect of dropping the employment rate by 7,3 percentage points to 46,9% in quarter 3 of 2020 and making it even harder for the growing number of unemployed people to find gainful employment.

In quarter 3 of 2020, Cape Town's broad unemployment rate (including job seekers who were once again able to seek work after being restricted from doing so under lockdown level 5) was substantially higher than quarter 3 of 2019, almost reaching 30%. Even with the increase, Cape Town still had the lowest broad unemployment rate compared to all other metros in South Africa. This was mainly due to the mitigating effects of sectors that remained functional during lockdown, and the fast recovery of the construction and finance sectors in quarter 3, after their quarter 2 losses. In quarter 3 of 2020, Johannesburg, eThekwini, Nelson Mandela Bay, and Tshwane all experienced larger increases in their broad unemployment rates from quarter 3 of 2019, with an average 6,9 percentage points increase.

As recognised in the City's Inclusive Economic Growth Strategy (IEGS), which was out for public comment in the second half of 2020, Cape Town has performed significantly better under the prevailing economic circumstances than most other metro areas, due to the city's comparative advantages and the development of policy and infrastructure initiatives that have cultivated a business-friendly environment. However, the Covid-19 pandemic has exacerbated pre-existing economic challenges in Cape Town, not least of which is widespread unemployment, made worse by recessional firm closures. The IEGS highlights the need for business retention and outlines some interventions at a business, sector, and area level that address challenges faced by firms operating in Cape Town. These interventions include Private-Public

Dialogue (PPD), sector support, developing township economies and informal sector collaboration.

Quarter-on-quarter trends show that GDP-R recovered slightly faster than expected, however, the momentum gained in this quarter is likely to be diminished by a second wave of Covid-19 and load-shedding in quarter four. Other indicators that show quarter-on-quarter improvements, but no progress from 2019 levels, are vehicle sales, Cape Town International passenger movements, and building plan submissions. The path towards recovery is showcased by year-on-year improvements. These were seen in quarter 3 for the number of containers and the value of exports shipped from the Port of Cape Town, which increased by 5% and 6% respectively from quarter 3 of 2019. Luxury items, such as yachts and jewellery, resumed their position in the top export rankings, indicating renewed demand for these products, albeit with a weaker exchange rate in quarter 3 driving demand. Moving from international to domestic demand, the Business Confidence Index for South Africa rose to 24 index points in the third quarter and, looking ahead to the fourth quarter, improved further to 40 index points. This implies that many respondents are still unsatisfied with prevailing business conditions; however, conditions are improving. Electricity consumption by large power users (a measure of manufacturing sector output) remained fairly flat in quarter 3 and this trend is likely to continue due to intermittent load-shedding.

The ability of businesses to respond to the Covid-19 pandemic and its associated restrictions will determine the type of recovery in 2021 and beyond. Recent interviews with the e-commerce sector in Cape Town show how some innovative businesses are prospering despite the challenging economic climate.

In these trying times, it is important to recognise the sacrifices that have been made by firms in Cape Town that are struggling to remain afloat, especially those in the tourism, agriculture, construction and manufacturing sectors. Although some companies have been able to adjust to the 'new normal' or find opportunities in the crisis, many others will need continued support and co-ordinated interventions to survive the deepest recession in living memory. The task ahead for the City of Cape Town, and indeed all cities, is to find ways to support broad and sustainable economic growth and job creation.

**Jodie Posen**
Senior Economist: Economic Analysis

## KEY FINDINGS FOR THE THIRD QUARTER OF 2020

In the third quarter of 2020, the Western Cape economy **grew by 57,7% quarter-on-quarter**, mirroring the national trend and commencing its economic recovery following the nationwide lockdown. The provincial growth was driven by the manufacturing and trade sectors.

The Western Cape recorded an **inflation rate of 3,6%** at the end of the third quarter of 2020, which is higher than the 2,8% shown at the end of the second quarter. This was also higher than the national inflation rate of 3,0%, and represented a return to the target range of 3% to 6% set by National Treasury.

On a quarter-on-quarter basis, the **number of people employed in Cape Town increased by 19 976** to a total of 1,42 million. On a year-on-year basis, however, this figure decreased by 189 825 individuals. The main contributor to quarter-on-quarter employment growth during the period was the finance sector, which added 19 635 jobs, followed by the construction sector with 15 363 jobs. Trade, hotels and restaurants shed the most jobs (-31 486) quarter-on-quarter, followed by agriculture (-11 092).

All of Cape Town's **top five tourist attractions** resumed operations in the third quarter of 2020, however, these all recorded year-on-year declines in visitor numbers ranging between 61% and 99%.

**Air passenger movements continue to improve** on a quarter-on-quarter basis, thanks mainly to domestic travellers. In the third quarter of 2020, Cape Town International recorded 322 929 more passenger movements compared to the previous quarter.

# 01

# SUCCESS STORIES

# HOSPITALITY ENTREPRENEUR CREATES A HAVEN FOR HEALTHCARE WORKERS IN NEED.

Kim Whitaker, founder of Ubuntu Beds

**Kim Whitaker, a hospitality entrepreneur, gives back to frontline healthcare workers risking their lives during the Covid-19 pandemic to save others in the spirit of ubuntu.**

The pandemic has seen a rainstorm of hard times and bad news pouring down on us. People have been losing their livelihoods, loved ones and their sense of normality. Kim Whitaker contracted Covid-19 in early March after returning from a business trip in Germany. A few months later her 89-year-old grandmother succumbed to the virus. Due to her coronavirus antibodies, Kim was fortunate enough to get the opportunity to say goodbye to her grandmother at an old age home in Cape Town, something few family members are able to do during this time.

While Kim was self-isolating with her husband and two children (aged four and seven) in Tulbagh, she was on a Zoom call with a medical doctor in Lombardy, Italy, which was under tremendous pressure and healthcare workers were suffering from burnout and exhaustion. At that stage Kim wasn't just thinking about herself and her family, but about the challenges the tourism industry and her colleagues throughout the country were facing as well. Everyone was anxious and uncertain about the future. She also considered the pressure our healthcare system and healthcare workers were under. This concern for others sparked an idea for a new business venture which inspired the creation of the Ubuntu Beds platform.

## Saving South Africa, one free bed at a time

Ubuntu Beds is a digital accommodation platform for healthcare workers who live far away from home, want to protect their families while serving their communities, or have contracted Covid-19 but are not sick enough to need hospital admittance. The platform matches healthcare workers with guest houses, hotels and rental properties located near their workplace. They provide them with a place to rest, free of charge, made possible through donations and sponsors. Covid-19 positive healthcare workers are offered three nutritious meals a day, as well as transport and hygiene cleaning for the venue. This supports small businesses in hospitality, food industries, transport and hygiene who are all reeling after the collapse of the tourism industry.

When Kim first shared the wonderful idea on CapeTalk in March, the spirit of ubuntu spread like wildfire and she received initial donations from FirstRand Bank and Booking.com, as well as smaller companies, individuals and even golfing four-balls to start the new venture. The most common amount pledged is only R100, but it goes a long way! The average cost per night per healthcare worker is around R300. Ordinary people volunteered their skills to help make the idea of a resting place for frontline heroes come to fruition.

Today, 1 824 healthcare workers and 1 128 hospitality providers have signed up on the platform. A total of 25 991 bed nights are organised for the workers. In Cape Town, Ubuntu Beds has placed healthcare workers from Groote Schuur Level 3 Hospital (97), Somerset Hospital (31), Victoria Hospital (26), Life Kingsbury Private Hospital (26), Christiaan Barnard Memorial Private Hospital (20), as well as Mitchells Plain Hospital, Life Vincent Pallotti Private Hospital, Tygerberg Hospital, Red Cross War Memorial Children's Hospital, CTICC Hospital of Hope and Brackengate Hospital.

While the platform remains active through the second wave, and into the third and further waves, the Ubuntu Beds team have collaborated with other non-profits to help find safe spaces for people in natural or humanitarian disasters. To date, they have assisted in a case of gender-based violence, and a devastating fire in Guguletu which saw 10 families displaced and placed in a guesthouse for a week while the structures were being rebuilt.

Ubuntu Beds and Together we Bloom honour healthcare workers

"My biggest concern was my cousin's husband. He had been diagnosed with pancreatic cancer. It was even more devastating to cope with, as I am a radiation therapist.

My family tried to have supper together every night, but unfortunately I had to have limited contact with him because of my work at the hospital. I was very stressed as I knew his time was limited, and so was my time visiting him.

When he passed on, it hit our whole family quite hard.

I was allowed to attend part of the funeral and as soon as I informed Ubuntu Beds, they immediately started working on accommodation for me as I had to be booked in the same day. In the end, I was in a lovely apartment close to work. It was comfy, safe and very cosy. I am so thankful towards them for arranging accommodation for me at such short notice. The way they spoke to me and cared about me, was beyond words. I truly felt appreciated a a healthcare hero and will forever be grateful."

**Nurse Nazeefah**
Radiation therapist, Cape Town

## HELP HEROES SAVE LIVES.

To become a donor or sponsor from as little as R100, visit **https://www.ubuntubeds.org**. You can also contribute by using SnapScan, FNB eBucks or a Woolworths MySchool card. All the funds received go towards helping healthcare heroes find a place to rest, recharge and rejuvenate, giving them peace of mind, so they can continue to save lives through the next possibles waves of Covid-19 infections.

# THE RESTAURANT RESCUE PROJECT HELPS CAPE TOWN'S EATERIES SURVIVE.

**When it comes to exceptional gastronomic experiences, Cape Town's many eateries are among the best in the world. From small dining boutiques to award-winning restaurants, the Mother City is known for her culinary culture. However, this thriving industry was the first to be brought to its knees when the Covid-19 pandemic reached South Africa and national government responded with the hard lockdown.**

Witnessing the devastation that lockdown was wreaking on the South African dining industry, Alex Dale, founder and MD of Radford Dale winery, teamed up with Matt Manning, chef patron of Grub & Vine Restaurant, to do something about it.

> **"What Dale proposed was a gesture so generous and heartfelt that I had to blame the onions I was not busy dicing for my rapidly reddening eyes."**
>
> Matt Manning

Between them, the two came up with the innovative Restaurant Rescue Project, an independent, industry-driven initiative that would help to keep the restaurant and wine farm industries afloat, saving the jobs of many thousands of employees who rely on it for their livelihood.

To get things started, Radford Dale winery generously donated some of their finest wines to Grub & Vine Restaurant, which allowed them to offer an amazing deal. Guests could purchase a Grub & Vine gift voucher or virtual dining experience for two and receive a complimentary case of six exceptional Radford Dale wines which could be collected from the bistro as soon as alcohol sales resumed.

The initiative proved a huge hit and gave rise to a steady flow of similar collaborations between restaurants and wine farmers, all facilitated via the Restaurant Rescue website.

The initiative, which had continued throughout the subsequent lockdown phases, called on wineries and businesses to 'adopt a restaurant' to help preserve the jobs and livelihoods of the sector. Each participating restaurant then curated a gastronomic experience that guests could purchase as a voucher, most of which also included a case of six bottles of wine from the partner winery.

Restaurants and wineries had joined the initiative from all corners of the Mother City with the likes of Blockhouse, The Aubergine Restaurant, Pot Luck Club and The Test Kitchen, to name just a few of the city's most well-known and revered eateries.

Matt Manning and the Grub & Vine team

The success of the initiative is a testament to the city's resilient people and businesses, and showcases the never-say-die spirit that characterises not only Cape Town's communities, but patrons from across the world with "restaurant adopters" hailing from the UK, USA, Germany and many more countries. An estimated 750-plus direct jobs have been preserved thanks to the Restaurant Rescue Project, and thanks to the dedication of the global community of food and wine lovers. In supporting Cape Town's treasured eating destinations, over R5 million has been generated through the sale of the vouchers – which has directly helped many Cape Town eateries stay in business through this difficult period.

While the Restaurant Rescue Project is no longer active, this initiative has created a tangible impact within the hospitality sector and the restaurant industry. With restaurants and wineries reopened and operating safely, Capetonians can continue to show support in person.

Alex Dale, founder and managing director of Radford Dale

# 02

# OVERVIEW

# CAPE TOWN OVERVIEW 2020: QUARTER 3

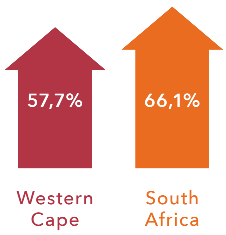
## GROSS DOMESTIC PRODUCT (GDP)

The **Western Cape** accounted for **R408 billion**[a] of the **R2,96 trillion gross domestic product** (GDP) generated by **South Africa** in the third quarter of 2020. While GDP data are not available at a city level on a quarterly basis, **Cape Town** typically contributes around **72%** of the provincial GDP annually.[b]


[a] *At constant 2010 prices; seasonally adjusted and annualised. Source: Quantec, 2020.*
[b] *Source: IHS Markit, 2020.*

## GDP GROWTH RATE

During the third quarter of 2020, the **Western Cape** achieved quarter-on-quarter GDP growth of **57,7%**, compared to **national GDP** growth of **66,1%**.[c]



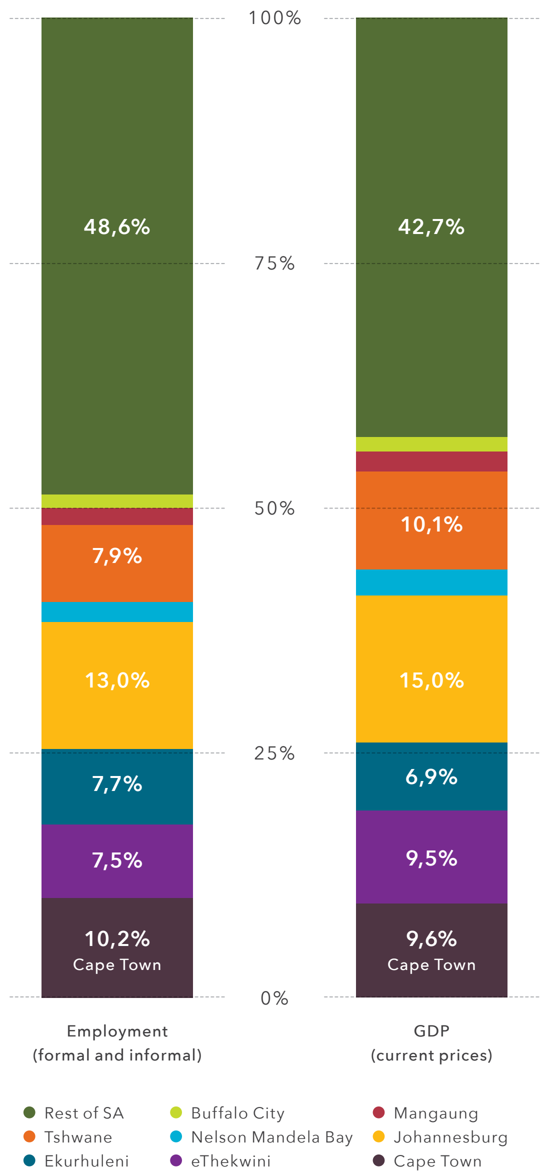

[c] *At constant 2010 prices; seasonally adjusted and annualised. Source: Quantec, 2020.*

## GDP PER CAPITA

In 2019, **South Africa** had a GDP per capita of **R86 083**, while the **Western Cape's** GDP per capita was **R101 098** and **Cape Town's** was **R111 364**.[d]

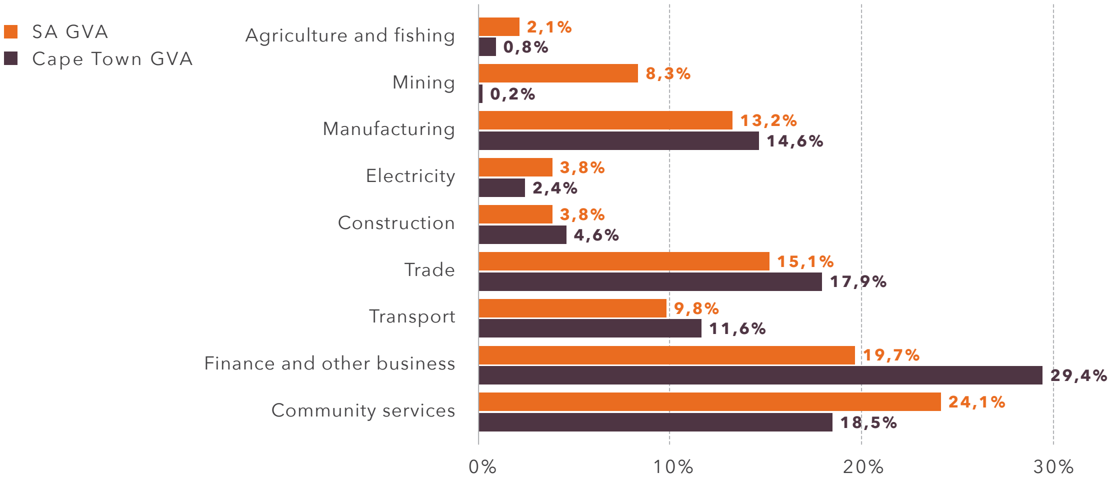

[d] *At current prices. Source: IHS Markit, 2020.*

## CAPE TOWN GROSS GEOGRAPHIC PRODUCT AND EMPLOYMENT CONTRIBUTIONS TO SA, 2019[e]




[e] *At current prices. Source: IHS Markit, 2020.*

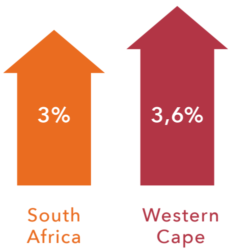
## SECTORAL SHARES, CAPE TOWN GROSS VALUE ADDED (GVA) VERSUS NATIONAL GVA, 2019[f]




[f] *At current prices. Source: IHS Markit, 2020.*

## INFLATION

At the end of the third quarter of 2020, **South Africa** had an inflation rate of **3%**. The **Western Cape's inflation rate** for the same period was **3,6%**.[g]




[g] *Source: Statistics South Africa (StatsSA), 2020.*

## POPULATION

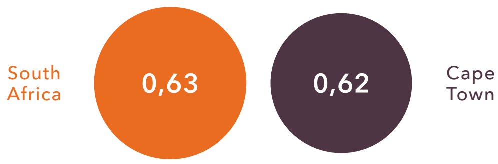
**South Africa** has a population of **58 775 022**. A total of **6 844 272** people (11,6% of the national population) live in the **Western Cape**. Of those, **4 488 546** are residents of **Cape Town**.[h]

[h] *Source: City of Cape Town, 2020a.*

## GINI COEFFICIENT

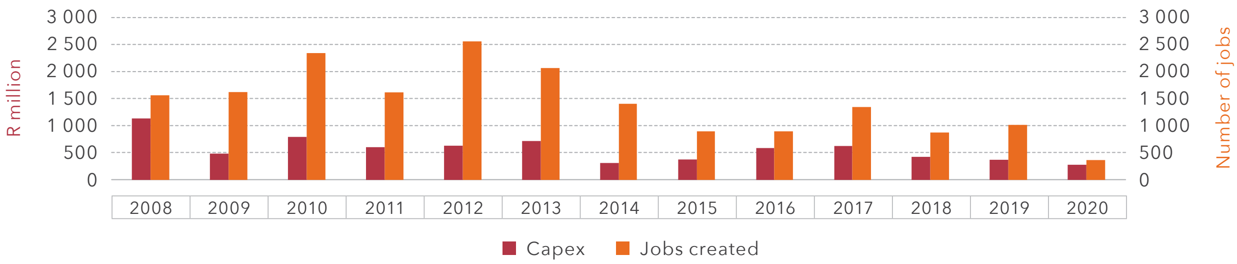
In 2019, **South Africa** had a Gini coefficient* of **0,63**, while **Cape Town** had a slightly lower value of **0,62**.[i]

** The Gini coefficient measures inequality in levels of income.*




[i] *Source: Wesgro, 2020.*

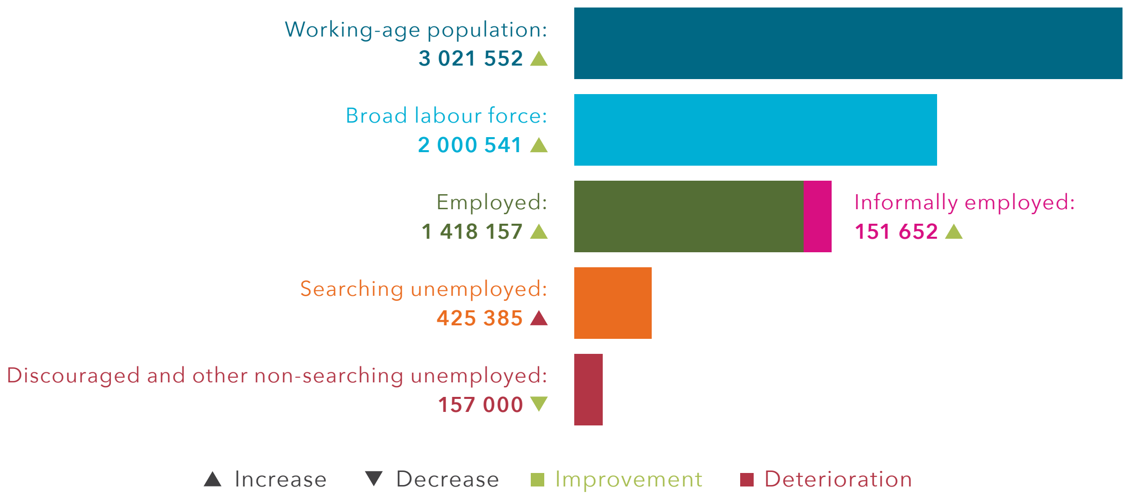
## FOREIGN DIRECT INVESTMENT (FDI) INFLOWS INTO CAPE TOWN[j]




[j] *FDI Markets, 2020. Note: Investment data are subject to change due to reporting lags.*

# LABOUR OVERVIEW 2020: QUARTER 3

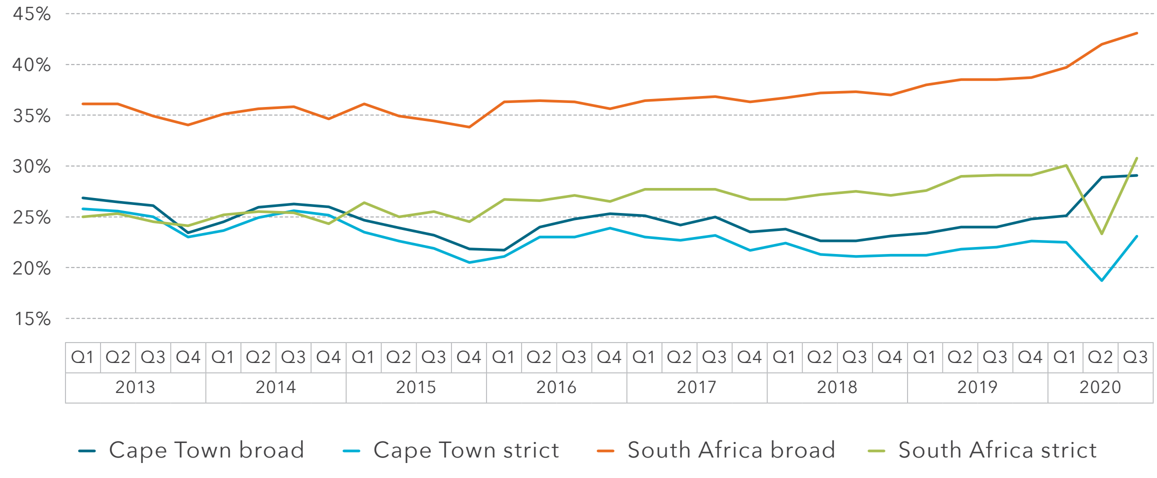
## LABOUR INDICATORS, 2020 Q3 (QUARTER-ON-QUARTER CHANGES)




Labour force participation rate (strict) = **61,0%** Absorption rate = **49,9%** Dependency ratio = **43,7%**

*Source: Statistics South Africa, Quarterly Labour Force Survey, 2020 Quarter 3, November 2020.*

## STRICT VERSUS BROAD UNEMPLOYMENT RATES FOR SOUTH AFRICA AND CAPE TOWN, 2013 Q1 TO 2020 Q3




*Source: Statistics South Africa, Quarterly Labour Force Survey, 2020 Quarter 3, November 2020.*

# 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 therefore often the main drivers of economic growth in a region.

# SOUTH AFRICA'S QUARTER-ON-QUARTER ECONOMIC PERFORMANCE

Following its record contraction of 51,7%[1] quarter-on-quarter for the second quarter of 2020 (which was revised downward by 0,7 of a percentage point), the South African economy rebounded in the third quarter with annualised growth of 66,1% quarter-on-quarter, thus exiting its four-quarter long recession. Given that the second quarter's performance is attributed to the impact of the Covid-19 lockdown restrictions (spanning levels 5 to 3), a large output recovery in the third quarter was expected as the country experienced continued easing of the lockdown restrictions during this period, which allowed for economic activity to resume, including leisure- and tourism-related activities (South African Government, 2020a).

The primary drivers of the third quarter growth were the manufacturing, trade and mining sectors, which added the most to the national total growth rate, totalling 46,2 percentage points.

Notwithstanding the seemingly positive quarter-on-quarter GDP figures, the enduringly weak economic climate is highlighted by additional market indicators such as the RMB/BER Business Confidence Index. After declining to a record low of 5 index points in the previous quarter, this index rebounded to 24 index points in the third quarter of 2020 (Bureau for Economic Research [BER], 2020a). The BER cautions, however, that despite the positive gains from the previous quarter's low base, "sentiment remains heavily depressed" as the majority of business executives surveyed view prevailing business conditions as "unsatisfactory".

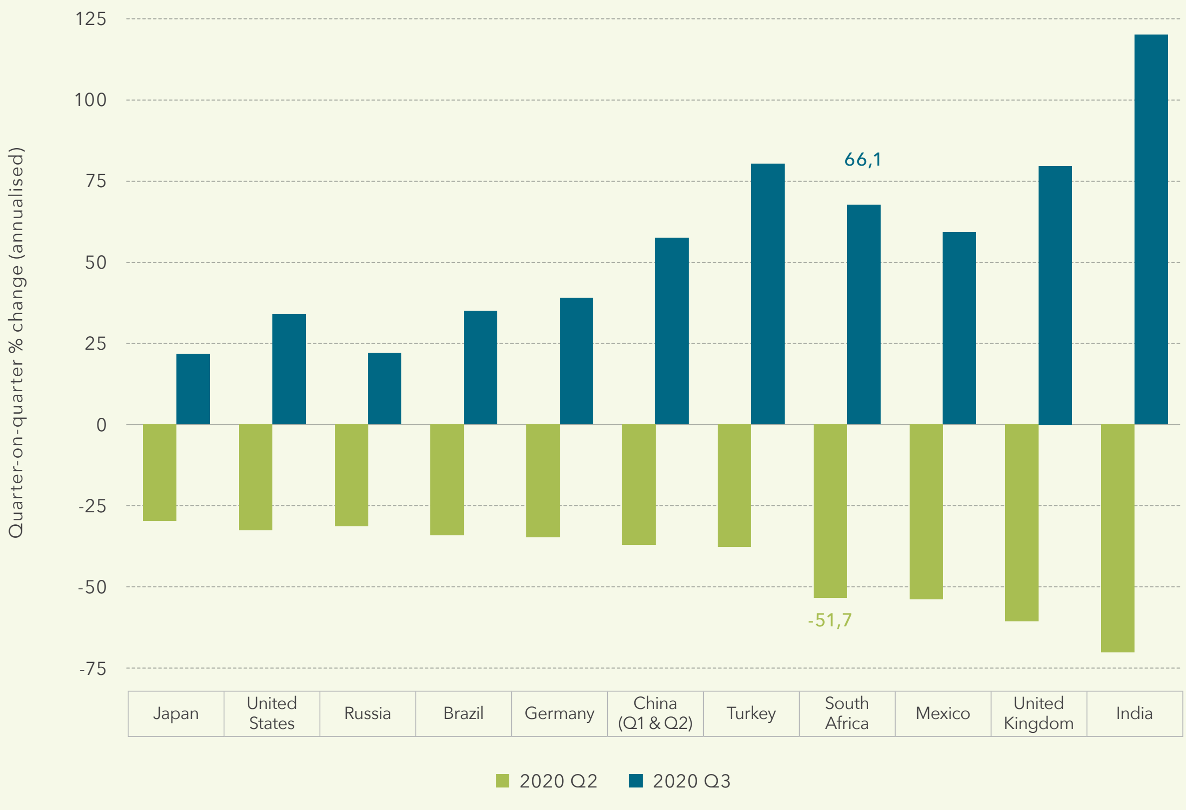
Similarly, the Absa Purchasing Manager's Index (PMI) recorded improvements throughout the third quarter of 2020. From its 53,9 index points in June 2020, the PMI dropped slightly to 51,2 in July, thereafter increasing to 57,3 index points in August and 58,3 index points in September 2020. Despite the improvement in the overall index, caution is once again advised. The BER explains that the index compares month-on-month conditions and, thus, an index recording that looks to have returned to pre-lockdown levels does not necessarily translate into a full recovery in real manufacturing output. Rather, the improvement in the index merely reflects an improvement in business conditions in comparison to the prior month (BER, 2020b).

[1] *Unless otherwise stated, quarter-on-quarter growth rates are seasonally adjusted and annualised.*

# A GLOBAL COMPARISON OF ECONOMIC PERFORMANCE IN THE THIRD QUARTER

According to the International Monetary Fund (IMF, 2020a), the so-called 'Great Lockdown' – an unprecedented global response to the Covid-19 pandemic – triggered the worst recession since the Great Depression. In its latest World Economic Outlook (IMF, 2020b), the IMF notes that while some economies have slowly begun reopening, others have reinstated various lockdown restrictions as the pandemic continues to pose a risk. Global economic recovery to pre-pandemic levels is expected to be slow and "remains prone to setbacks". The IMF has, however, upwardly revised its global growth forecast for 2020 to -4,4% (up by 0,5 of a percentage point). South Africa's recent economic performance is not unique in the global context, as shown in Figure 1, with many countries posting record annualised quarter-on-quarter declines in the second quarter of 2020, followed by record increases in the third quarter.

FIGURE 1: BUREAU OF ECONOMIC RESEARCH'S COMPARISON OF ANNUALISED ECONOMIC GROWTH RATES FOR 2020 Q3




*Source: BER, 2020c.*

Among developed economies, the United Kingdom recorded one of the worst declines in economic growth ever in the second quarter of 2020, but also recorded one of the highest rebounds in the third quarter. Among developing countries, India experienced a similar pattern of precipitous decline, followed by an even larger rebound. As Figure 1 illustrates, these countries' second quarter contractions ranged between -25% and -75%, followed by growth in the third quarter ranging between 25% and over 100% (BER, 2020c).

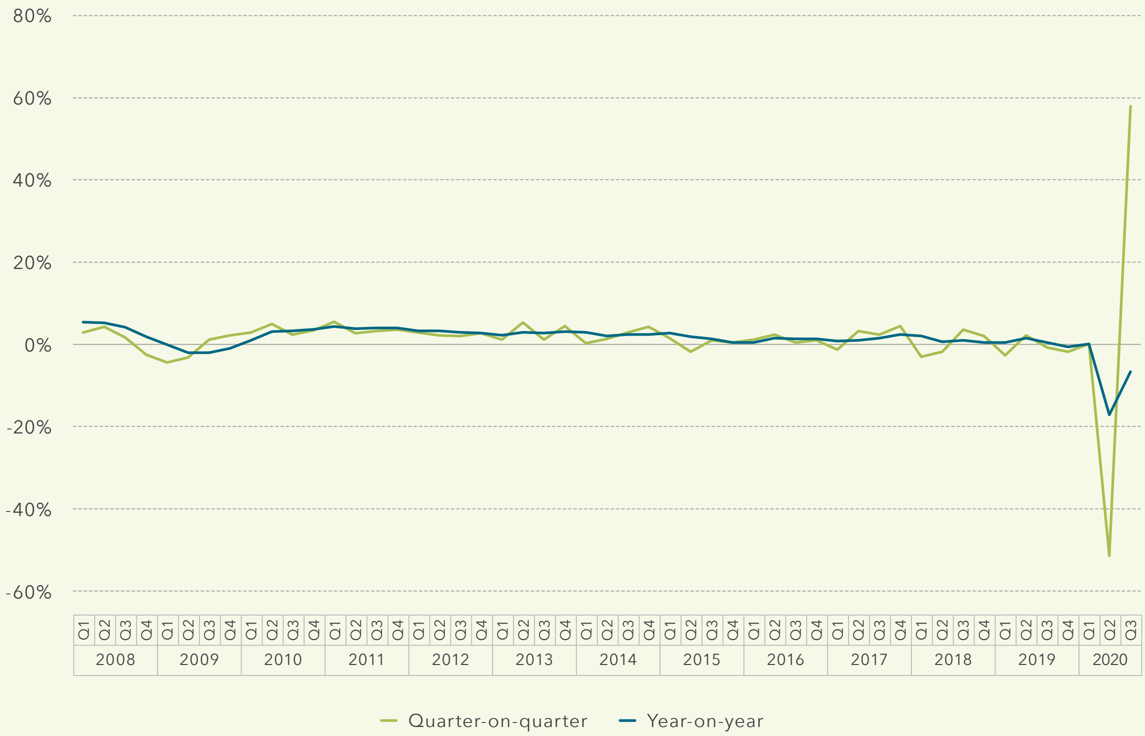
In 2021, global growth is projected to be 5,2%, leaving 2021 GDP some 1,8 percentage points lower than in pre-Covid-19 projections (IMF, 2020c), with an output loss of more than USD12 trillion.

# 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, the Western Cape's GDP grew by 57,7%, quarter-on-quarter for the third quarter of 2020, rebounding from its contraction of 51,2% (which was revised downward by 1,1 percentage points) in the previous quarter. Alongside the historic quarter-on-quarter results, the year-on-year data for the Western Cape also indicate a similar performance to that of the country as a whole.

South Africa experienced negative year-on-year growth for the fourth consecutive quarter, recording -6,1% in the third quarter of 2020, while the Western Cape economy recorded its second negative year-on-year growth figure of -6,7%, reaffirming that, despite the positive quarter-on-quarter annualised growth recorded in the third quarter of 2020, economic activity remains under strain.

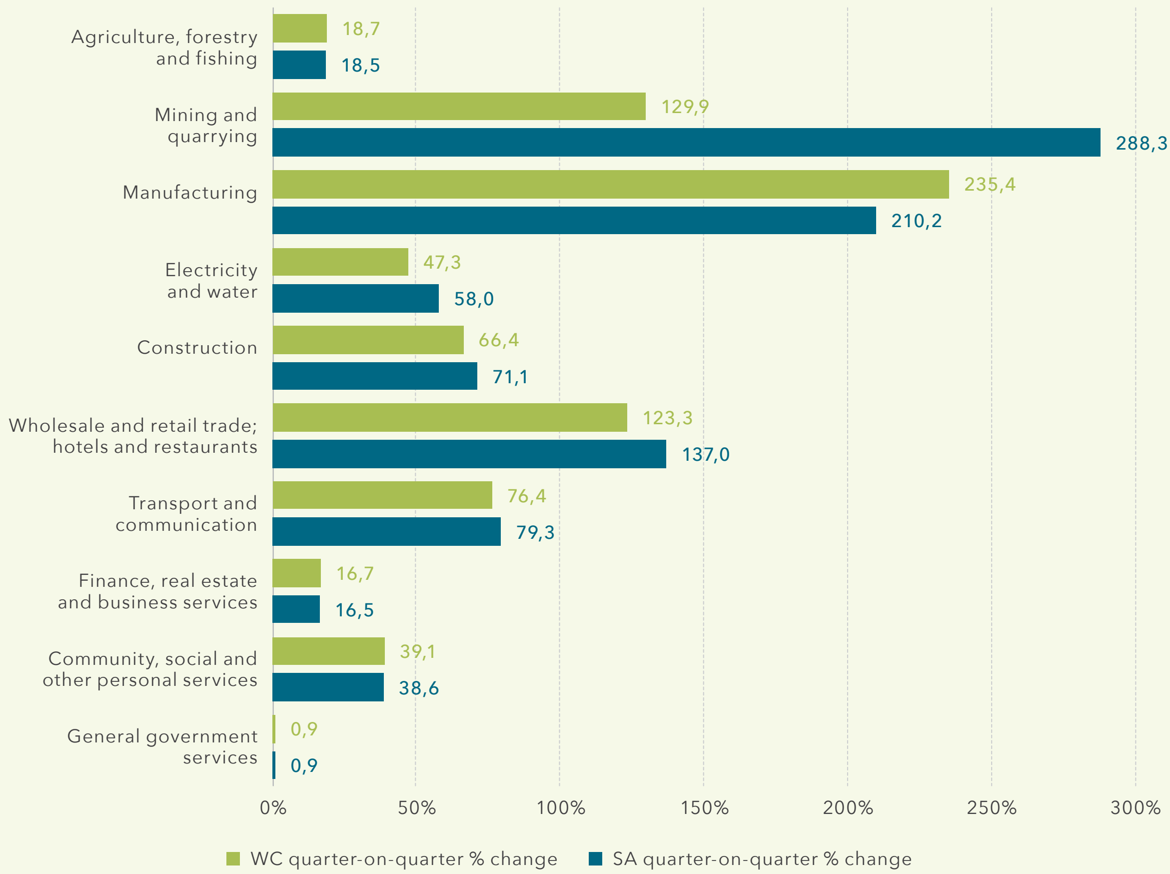
FIGURE 2: REAL GGP GROWTH FOR THE WESTERN CAPE, 2008 Q1 TO 2020 Q3




*Source: Quantec, 2020.*

As restrictions were applied nationally, the Western Cape's sectoral performance, on a quarter-on-quarter basis, showed many similarities to that of the national economy. Notably, the top three growth sectors were the same as at a national level. At the provincial level, the manufacturing sector recorded the highest growth at 235,4% quarter-on-quarter and contributed the most (20,9 percentage points) to total growth. The trade sector grew by 123,3% quarter-on-quarter, adding 14,7 percentage points to total growth. Despite the mining sector recording quarter-on-quarter growth of 129,9% in the third quarter of 2020, its small share (0,2%) of the provincial economy meant it only added 0,2 of a percentage point to total growth. The sector constitutes a much greater share of the national economy (8,1%) and, as such, its performance had a much larger impact on national GDP growth (contributing 11,8 percentage points).

FIGURE 3: SECTORAL REAL GDP-R GROWTH RATES IN THE WESTERN CAPE AND SOUTH AFRICA, 2020 Q3




*Source: Quantec, 2020.*

The most prominent contributors to total GDP (value) in the Western Cape are the finance, trade and manufacturing sectors. These sectors contributed the most to the province's growth in the third quarter of 2020, adding a combined 42,2 percentage points to total growth. Of these, the manufacturing sector was the largest contributor, adding 20,9 percentage points, reflecting the resumption of production activities alongside the eased lockdown restrictions. The transport sector was the fourth largest contributor to total provincial growth (6,4 percentage points), reflecting greater mobility, inclusive of the economy's labour force. The agriculture sector, which historically has a greater impact at the provincial level due to its higher share of the economy (4,5% of the provincial economy compared to 2,9% of the national economy), remained fairly muted in its contribution[2] (1,0 percentage point) to total growth in the third quarter. This is attributable to exports, which continue to face constraints associated with trade limitations across the world due to the impact of the pandemic.

While quarterly GDP-R statistics for Cape Town are not timeously available for inclusion in this document, 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 72% of the total provincial economic output (IHS Markit, 2020). On average, in the last 10 years, the variation between the city's gross geographic product (GGP) growth rate and the provincial rate has been 0,2 of a percentage point. If this holds true for the third quarter of 2020, a plausible range for Cape Town's quarter-on-quarter economic growth in the third quarter would be between 57,5% and 57,9%. However, the nature of provincial economic growth is such that this range may not fully account for the performance of the city's economy in these unprecedented times. Given that the manufacturing and trade sectors, amongst the top three contributors to the province's growth in the third quarter, contribute a considerable share (a combined 30,2%) to Cape Town's GVA, the city's economy may have experienced a more positive performance overall.

[2] *Similarly, the agriculture sector's quarter-on-quarter growth for 2020 Q3 recorded a relatively low rate (18,7%) in comparison to other sectors in the economy; this, however, is also impacted by its lower base, as well as not recording a contraction in 2020 Q2, as compared to other sectors.*

# 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

At the end of the third quarter of 2020, the CPI increased to 3,0% from 2,2% at the end of the second quarter. As illustrated in figure 4, the CPI was 3,2% in July, decreasing slightly to 3,1% in August and further to 3,0% in September. Overall, the CPI moved within the inflation target range and hovered largely around the bottom of the inflation target range of 3% for this quarter.

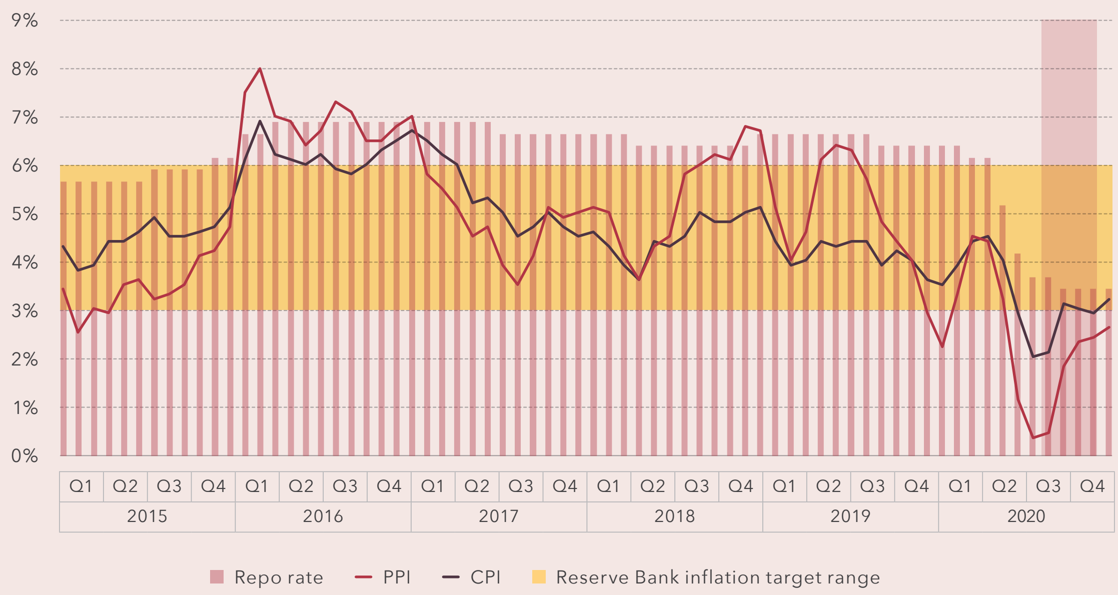
According to Statistics South Africa (2020), the main contributors to the overall CPI inflation rate for September 2020 included food and non-alcoholic beverages, housing and utilities, transport, and miscellaneous goods and services. According to the Monetary Policy Committee (MPC) statement of September 2020 (South African Reserve Bank [SARB], 2020a), the overall inflation outlook has decreased from a previous projection of 4,0% in 2021 and 4,4% in 2022 to 3,7% and 4,0%, respectively. The MPC noted that the economic contraction and the slow recovery will keep inflation below the mid-point of the target range for the remainder of the year, while risks to the overall inflation outlook remain balanced (at the time). Also adding downward pressure to overall inflation are low oil prices, contained food prices and the depreciation of the rand.

For the third quarter of 2020, the PPI increased to an average of 2,3% after averaging a low of 0,7% in the previous quarter. The index recorded a monthly reading of 1,9% in July, increasing to 2,4% in August, and further to 2,5% in September 2020. The main inflationary contributors to the PPI in September (in terms of final manufactured products), were the prices of food products, beverages and tobacco products, and transport equipment.

Figure 4 illustrates changes in the repurchase rate (repo rate). As indicated in the graph, the repo rate was cut once during the third quarter of 2020, resulting in a total reduction of 300 basis points for 2020 thus far. According to the MPC statement of July 2020 (SARB, 2020b), the decision to lower the repo rate by 25 basis points during July (to reach 3,5%) was against a backdrop of low inflation expectations, poor economic climate and weak business confidence as a result of the continuous spread of Covid-19. Another key reason was to relieve financial constraints on households and businesses. This marks the lowest recording of the repo rate to date.

At its September 2020 meeting, the MPC decided to keep the repo rate unchanged at 3,5%. According to the MPC statement of September (SARB, 2020a), the easing of lockdown regulations has facilitated and supported economic recovery. This notion was supported by a pick-up in economic activity in certain indicators from previous low levels of activity in April and May 2020. The slight improvement in economic activity, low inflation expectations and depreciation of the rand were key reasons for the MPC's decision.

**FIGURE 4: CPI AND PPI TRENDS FOR SOUTH AFRICA, JANUARY 2015 TO OCTOBER 2020**

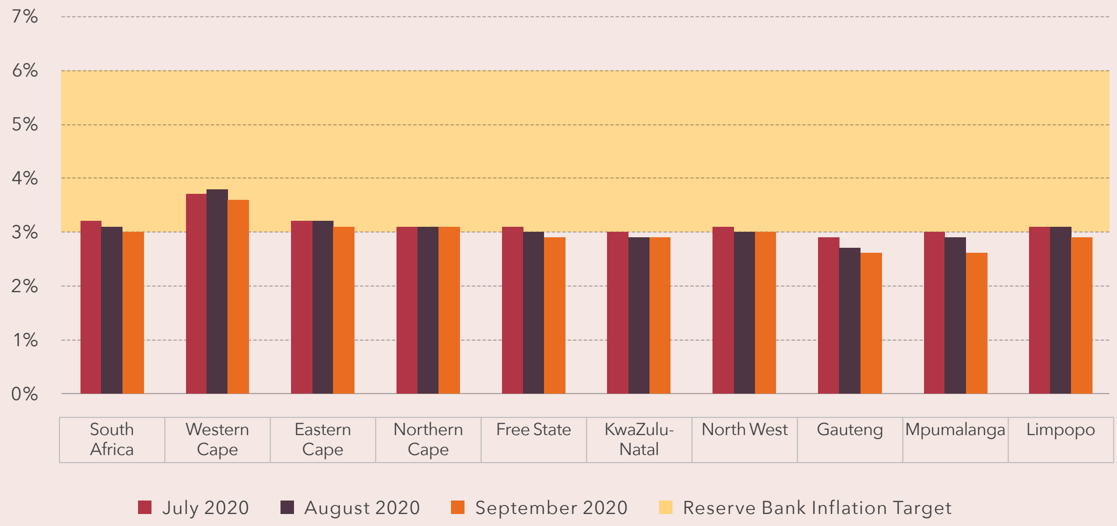



*Source: CPI and PPI extracted from Statistics South Africa, 2020; repo rate extracted from SARB, 2020.*
*Note: 27 March to 20 September 2020 have been shaded above to highlight lockdown impacts, notably restriction levels 5 to 2 (inclusive). Data extends beyond the third quarter of 2020 to include October.*

# GEOGRAPHICAL INFLATION

The Western Cape recorded an inflation rate of 3,6% at the end of the third quarter of 2020. This was higher than the 2,8% at the end of the preceding quarter. The provincial inflation rate was also higher than the national rate of 3,0%. Figure 5 illustrates inflation rates recorded in the third quarter of 2020 across all nine provinces of the country. In comparison to the end of the second quarter of 2020, all nine provinces experienced inflationary increases. At the end of September, four provinces moved to within the inflation target range, while the rest remained slightly below the inflation target range of 3%. The Western Cape recorded the highest inflation rate for the third quarter, with an average of 3,7%, followed by the Eastern Cape (3,2%) and Northern Cape (3,1%). Gauteng (2,7%) recorded the lowest average inflation rate in the third quarter of 2020.

## FIGURE 5: CPI INFLATION RATE AT A PROVINCIAL LEVEL, JULY TO SEPTEMBER 2020

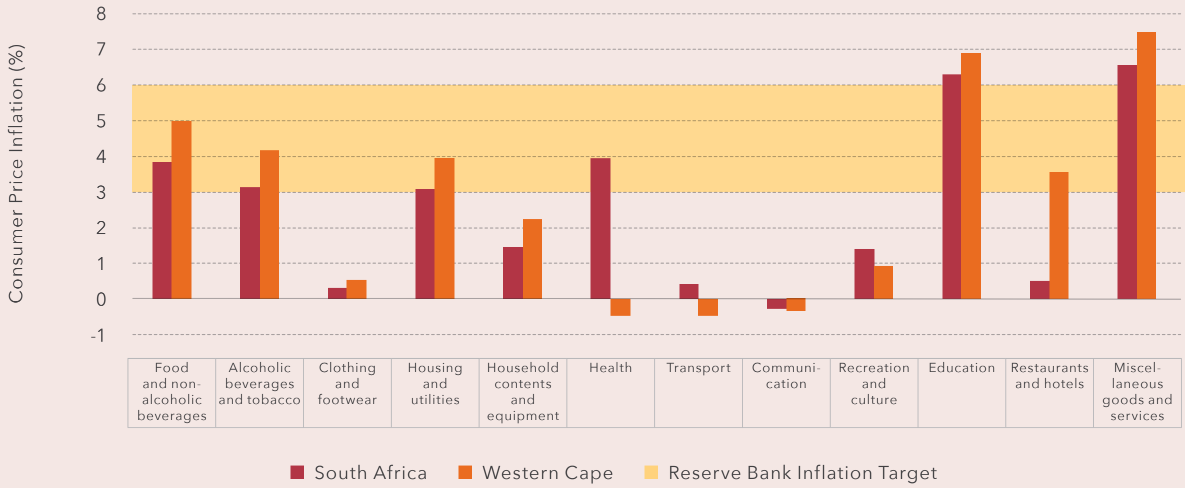



*Source: Statistics South Africa, December 2020.*

The higher overall provincial inflation rate, compared to the national level, for the third quarter of 2020 can largely be attributed to restaurant and hotel price inflation, which was recorded at 3,0% for the Western Cape and -0,4% nationally in September. Food and non-alcoholic beverages price inflation was higher at a provincial level (5,1% in September) compared to nationally (3,6% in September) with [its sub-category of] food price inflation being the main driver for the province (5,5% compared to 3,9% nationally in September). A notable difference between the Western Cape and South Africa was also recorded in alcoholic beverages and tobacco price inflation (5,6% and 3,9% respectively), with [its sub-category of] alcoholic beverages price inflation (4,5% and 2,7% respectively) being the key driver for the province in September 2020. Housing and utilities price inflation also recorded higher figures at the provincial level (3,3% in September) compared to nationally (2,9% in September).

As indicated in Figure 6, the education and the miscellaneous goods and services categories recorded relatively high inflation rates throughout the third quarter for both the Western Cape (average of 6,9% and 7,5% respectively) and South Africa (6,3% and 6,5% respectively), and were the only categories to record inflation rates above the target range.

**FIGURE 6: AVERAGE CONSUMER PRICE INFLATION FOR THE WESTERN CAPE AND SOUTH AFRICA, 2020 Q3**

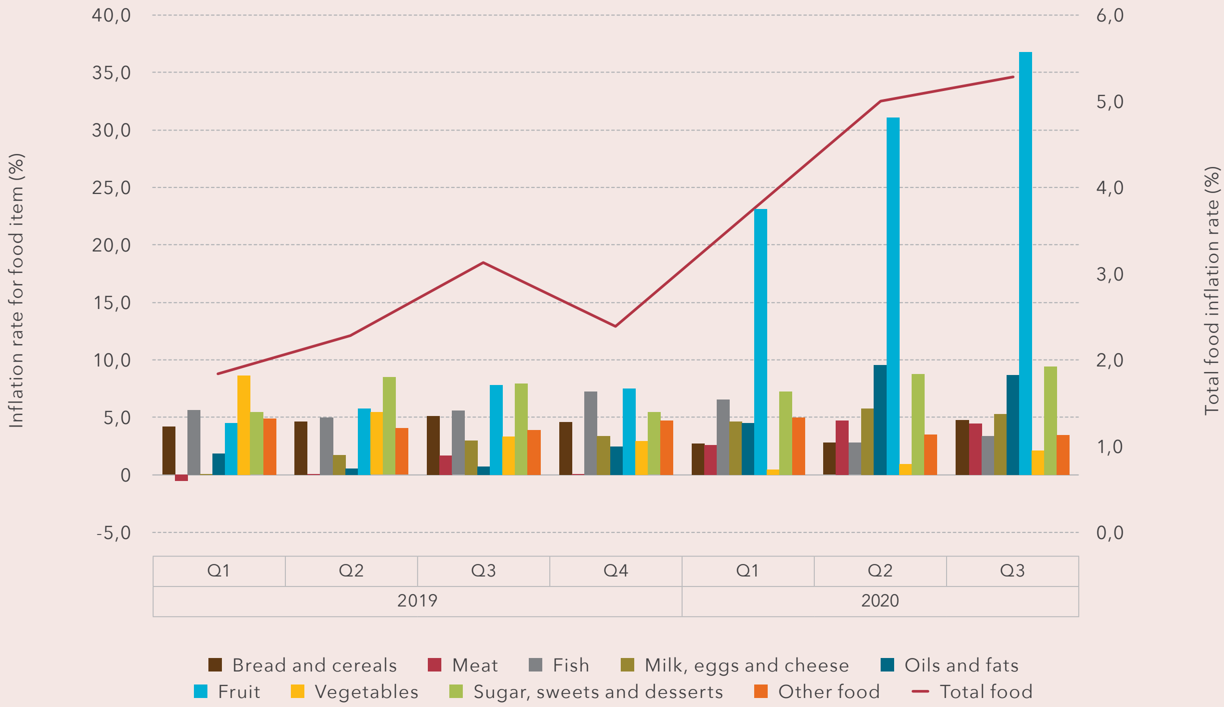



*Source: Statistics South Africa, December 2020.*

# WESTERN CAPE FOOD INFLATION

In light of Covid-19, tracking and monitoring food price changes have become significant as millions of South Africans are experiencing job losses and salary cuts, 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. Food price inflation recorded an average of 5,3% in the third quarter of 2020 compared to 3,1% in the same period in 2019. The food items that demonstrated the highest average inflation rates in the third quarter of 2020 were: fruit (36,9%); sugar, sweets and desserts (9,4%), and oils and fats (8,7%), while vegetables recorded the lowest inflation rate (2,1%) for the quarter.

**FIGURE 7: WESTERN CAPE FOOD PRICE INFLATION, 2019 Q1 TO 2020 Q3**




*Source: Statistics South Africa, 2020.*

A study by the Pietermaritzburg Economic Justice and Dignity group (PMBEJD, 2020), which tracks a new food basket in five metropolitan areas,[3] seeks to provide insight into South Africa's household affordability and food prices, with a particular focus on low-income households. The data reveal that the cost of the core food basket[4] is more expensive in Cape Town compared to other major metropolitan areas such as Johannesburg and Durban. The cost of the core food basket in October 2020 for Cape Town was R2 181,44 while Johannesburg reported a cost of R2 116,59 and Durban stood at R2 058,78.

[3] *The research paper tracked prices for the areas of Johannesburg (Soweto, Alexandra, Tembisa and Hillbrow), Durban (eThekwini, KwaMashu, Umlazi, Isipingo, Durban CBD, and Mtubatuba), Cape Town (Gugulethu, Philippi, Khayelitsha, Delft, Dunoon), Pietermaritzburg and Springbok.*

[4] *The core food basket of this PMBEJD study is based on their original methodology applied to Pietermaritzburg and based on the respondents' input of what "constitutes a good proxy for the typical core foods and volumes of these foods in the trollies of low-income households, given affordability constraints".*

Table 1 shows the prices of the core food items tracked in Cape Town supermarkets and butcheries located in Khayelitsha, Gugulethu, Philippi, Delft and Dunoon. The total cost of the core foods in Cape Town increased by 1,0% from the R2 159,11 recorded in September to R2 182,43 in October 2020. This increase can largely be attributed to the rise in the price of potatoes from R73,10 to R87,80 – an increase of 20,1%. Furthermore, the cost of the core foods constituted 56% of the cost of the total household food basket of R3 920,86, which tracks a total of 44 food items.

Amidst the job losses and pay cuts as a result of the global pandemic and the resultant lockdown, increased food prices exert further pressure on household income, especially that of low-income households. This poses a threat to their access to food, leading to a deepening of the country's food crisis and poverty levels. Food prices are expected to escalate further over the festive season and, coupled with increases in fuel, transport fares and electricity tariffs, this will further worsen the household food affordability crisis (BusinessTech, 2020).

## TABLE 1: COST OF CORE FOODS IN THE HOUSEHOLD FOOD BASKET, SEPTEMBER TO OCTOBER 2020

| FOOD ITEM | QUANTITY TRACKED | PRICE (RANDS) | | MONTH-ON-MONTH CHANGE (%) |
|---|---|---|---|---|
| | | September | October | |
| Maize meal | 30 kg | R244,97 | R240,61 | -1,8% |
| Rice | 10 kg | R143,66 | R146,99 | 2,3% |
| Cake flour | 10 kg | R92,88 | R94,89 | 2,2% |
| White sugar | 10 kg | R160,21 | R159,21 | -0,6% |
| Sugar beans | 5 kg | R124,56 | R124,07 | -0,4% |
| Samp | 5 kg | R43,99 | R43,49 | -1,1% |
| Cooking oil | 5 litres | R106,12 | R110,12 | 3,8% |
| Salt | 1 kg | R6,42 | R6,65 | 3,6% |
| Potatoes | 10 kg | R73,10 | R87,80 | 20,1% |
| Onions | 10 kg | R75,22 | R74,05 | -1,6% |
| Frozen chicken portions | 10 kg | R306,65 | R311,98 | 1,7% |
| Curry powder | 200 g | R29,82 | R29,65 | -0,6% |
| Stock cubes | 24 cubes x 2 | R38,87 | R38,42 | -1,2% |
| Soup | 400 g x 2 | R40,48 | R40,18 | -0,7% |
| Tea | 250 g | R24,05 | R23,77 | -1,2% |
| White bread | 25 loaves | R335,86 | R333,11 | -0,8% |
| Brown bread | 25 loaves | R312,25 | R316,44 | 1,3% |
| **Total** | | **R2 159,11** | **R2 181,43** | **1,0%** |

*Source: Pietermaritzburg Economic Justice and Dignity Group (PMBEJD), 2020.*

# 05

# 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.

On 19 March 2020, Statistics South Africa's (2020) face-to-face data collection was suspended as a result of the Covid-19 pandemic. As a result, Statistics South Africa changed the mode of data collection for their Quarterly Labour Force Survey (QLFS) to Computer Assisted Telephone Interviewing (CATI). To facilitate CATI, the same sample that was used for the QLFS Q1: 2020 was also used for Q2 and Q3, 2020. However, the process was not without challenges. Further details on the methodology can be reviewed in the official QLFS publication.

# CAPE TOWN'S LABOUR MARKET PERFORMANCE IN THE THIRD QUARTER OF 2020

Cape Town's working age population (3,02 million) increased on both a quarter-on-quarter and year-on-year basis. The labour force increased on a quarter-on-quarter level and decreased on a year-on-year level to a total of 1,84 million individuals. Employment recorded a slight improvement on a quarter-on-quarter level (by 19 976), however, it decreased on a year-on-year level (by 189 825) recording a total of 1,42 million individuals. The increases noted in the working age population and in employment for this quarter meant that the labour absorption rate improved slightly to 46,9% from 46,5% in the previous quarter. Likewise, the labour force participation rate increased from 57,2% to 61,0% in the third quarter of 2020. Both rates, however, recorded decreases when compared to the third quarter of 2019.

The number of discouraged work seekers increased on a quarter-on-quarter (by 840) and year-on-year (by 10 198) basis to a total of 31 302 individuals in the third quarter of 2020. This marks the highest recording for this category since the start of the QLFS in 2008. The increase recorded in discouraged work-seekers and in the (searching) unemployed in the third quarter resulted in an overall increase in the broad unemployment rate to 29,1% from 28,9% in the previous quarter. At 29,1%, Cape Town's broad unemployment rate remained lower than any of the other metros in South Africa.

## TABLE 2: CAPE TOWN LABOUR MARKET INDICATORS

| METRO | RECORDED | | | QUARTER-ON-QUARTER CHANGE | YEAR-ON-YEAR CHANGE |
|---|---|---|---|---|---|
| | 2020 Q3 | 2020 Q2 | 2019 Q3 | (vs 2020 Q2) | (vs 2019 Q3) |
| Working-age population | 3 021 552 | 3 008 114 | 2 967 498 | 13 438 | 54 054 |
| Labour force | 1 843 541 | 1 720 324 | 2 060 642 | 123 217 | -217 101 |
| Employed: Total | 1 418 157 | 1 398 181 | 1 607 982 | 19 976 | -189 825 |
| Employed: Formal sector | 1 177 638 | 1 178 490 | 1 290 859 | -852 | -113 221 |
| Employed: Informal sector | 151 652 | 134 572 | 205 424 | 17 079 | -53 773 |
| Unemployed | 425 385 | 322 143 | 452 660 | 103 241 | -27 275 |
| Not economically active | 1 178 011 | 1 287 790 | 906 856 | -109 780 | 271 155 |
| Discouraged work seekers | 31 302 | 30 463 | 21 104 | 840 | 10 198 |
| Other not economically active | 1 146 708 | 1 257 328 | 885 752 | -110 619 | 260 956 |

*Source: Statistics South Africa, Quarterly Labour Force Survey, 2020 Quarter 3, November 2020.*

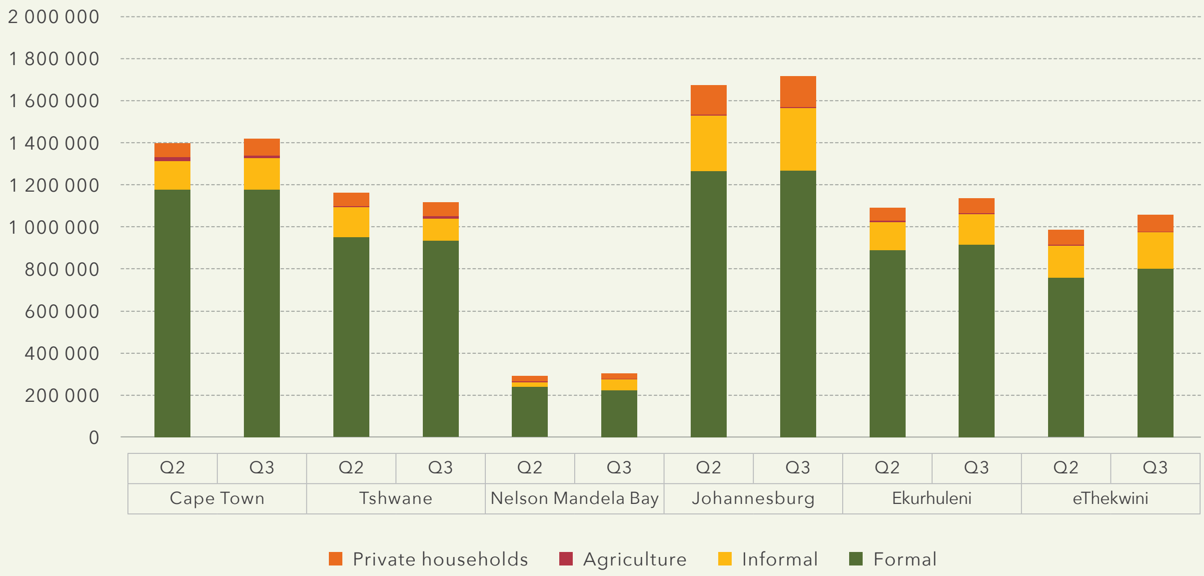
# EMPLOYMENT COMPARISON OF METROS

When measuring Cape Town's job creation performance, a comparison with other metropolitan municipalities (metros) in the country is helpful. In the third quarter of 2020, Cape Town continued to have the second largest number of employed people, at 1,42 million individuals. This is second only to Johannesburg, where 1,72 million people were employed. This is to be expected, however, as Johannesburg has a significantly larger population than Cape Town.

As can be seen in Figure 8, five of the country's metros recorded increases in total employment in the third quarter of 2020 when compared to the second quarter. This improvement is largely attributed to the easing of Covid-19 lockdown regulations, which allowed for increased economic activity. Tshwane was the only metro to show a decrease in the third quarter. eThekwini added the most to employment (72 933 jobs added) followed by Ekurhuleni and Johannesburg (45 358 and 41 176 jobs added respectively). eThekwini's employment increase was largely driven by formal employment (42 294 more jobs), while Johannesburg's employment growth was driven by informal employment (34 029 more jobs).

For Cape Town, formal employment decreased on both a quarter-on-quarter (by 852 jobs) and year-on-year (by 113 221 jobs) basis to a total of 1,18 million individuals. Informal employment (151 652 employed individuals) was the main contributor to Cape Town's total employment growth in the third quarter, with an increase of 17 079 jobs on a quarter-on-quarter level. It decreased, however, on a year-on-year level (by 53 773 jobs). Employment gains (3 749 in total) were also recorded in the private households and agriculture categories for this quarter.

**FIGURE 8: EMPLOYMENT COMPARISON WITH OTHER METROS BY MAJOR SECTOR, 2020 Q2 VERSUS 2020 Q3**




*Source: Statistics South Africa, Quarterly Labour Force Survey, 2020 Quarter 3, November 2020.*

# UNEMPLOYMENT IN CAPE TOWN

Unlike the unique challenges that faced the labour market in the previous quarter, the easing of lockdown restrictions in the third quarter meant that many people were able to start searching for employment again.

The number of unemployed people in Cape Town increased on a quarter-on-quarter basis (by 103 241) while decreasing on a year-on-year basis (by -27 275), to record a total of 425 385 unemployed individuals at the end of the third quarter of 2020. The increases recorded in employment and in the labour force were outweighed by the increase recorded in unemployment. This resulted in a higher strict unemployment rate (23,1%) when compared to the previous quarter (18,7%).

The youth unemployment rate in Cape Town, defined as the strict unemployment rate for individuals aged 15 to 24, was estimated at 49,5% in the third quarter of 2020, having increased from 37,7% in the previous quarter.

On a year-on-year basis, youth unemployment increased from the 45,6% recorded in the same period of 2019. While this remains below the national youth unemployment rate of 61,3% (increasing from 52,3% in the previous quarter), 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, eThekwini had the lowest strict unemployment rate (14% increasing from a previous 8,2%), while Cape Town had the lowest expanded unemployment rate of 29,1% (up from a previous 28,9%) when compared to all the other metros.

### TABLE 3: UNEMPLOYMENT RATE COMPARISON OF METROS, 2020 Q3 VERSUS 2020 Q2 AND 2019 Q3

| METRO | OFFICIAL (STRICT) | | | EXPANDED (BROAD) | | |
|---|---|---|---|---|---|---|
| | 2020 Q3 | 2020 Q2 | 2019 Q3 | 2020 Q3 | 2020 Q2 | 2019 Q3 |
| Cape Town | 23,1% | 18,7% | 22,0% | 29,1% | 28,9% | 24,2% |
| eThekwini | 14,0% | 8,2% | 21,5% | 37,1% | 37,8% | 30,6% |
| Ekurhuleni | 32,3% | 25,3% | 31,0% | 39,5% | 38,1% | 35,3% |
| Johannesburg | 33,5% | 29,2% | 32,4% | 40,9% | 39,7% | 34,6% |
| Nelson Mandela Bay | 40,5% | 40,4% | 34,9% | 41,0% | 43,2% | 35,3% |
| Tshwane | 38,7% | 24,8% | 28,4% | 41,7% | 35,7% | 32,6% |

*Source: Statistics South Africa, Quarterly Labour Force Survey, 2020 Quarter 3, November 2020.*

All metros experienced an increase in their strict unemployment when compared to the previous quarter. It is important to note, however, that the national lockdown restrictions in the second quarter resulted in many individuals not being able to formally search for employment in that quarter, and they were therefore classified as 'non-economically active'. This contributed to lower strict unemployment rates being recorded in the second quarter of 2020.

Tshwane had the highest increase in its strict unemployment rate (up 13,9 percentage points) and in its broad unemployment rate (up 6 percentage points). Nelson Mandela Bay (41,0% down from the previous 43,2%) and eThekwini (37,1% down from the previous 37,8%) were the only metros to record decreases in their broad unemployment rates. Cape Town recorded increases in both its strict (up by 4,4 percentage points to 23,1%) and broad (up by 0,2 of a percentage point to 29,1%) unemployment rates. Nelson Mandela Bay recorded the lowest difference (of 0,5 of a percentage point) between its two rates of unemployment. eThekwini recorded a 23,0 percentage point difference, the largest of all the metros. Cape Town had a difference of 6,0 percentage points (third lowest) between the two rates of unemployment, which can be attributed to the city having a relatively smaller number of discouraged work-seekers than the rest, although reflecting an increasing trend.

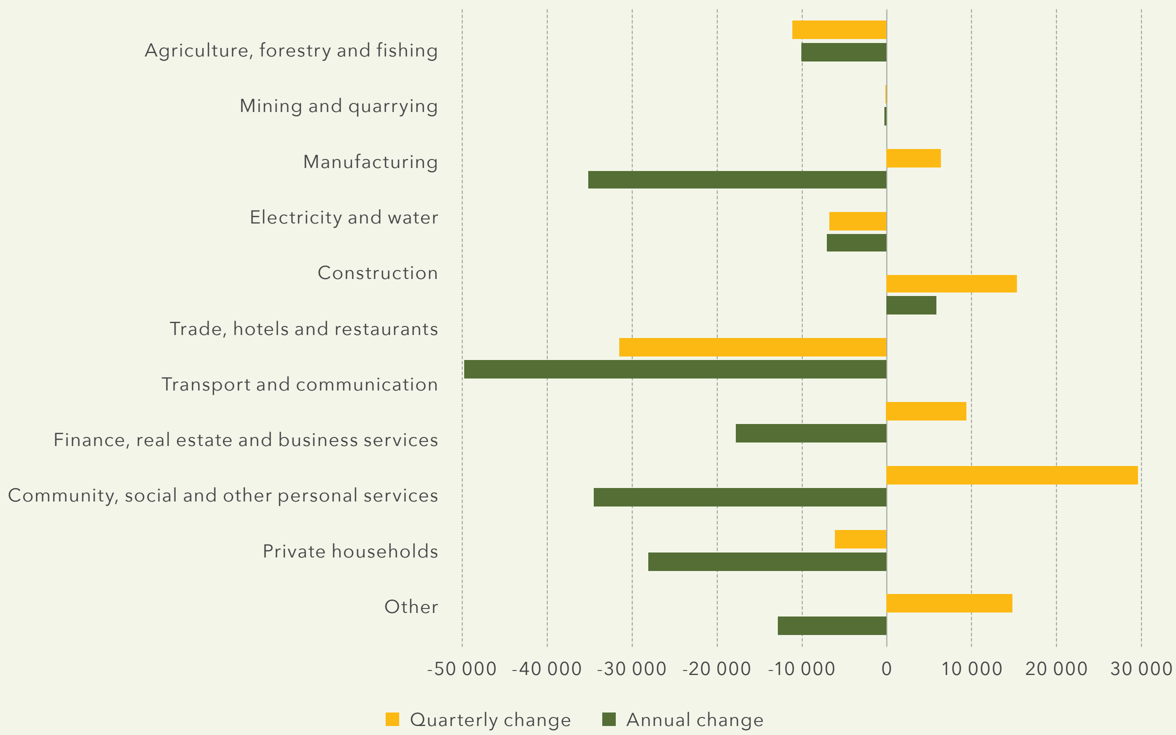
# SECTOR EMPLOYMENT TRENDS FOR CAPE TOWN

Figure 9 presents the change in the level of employment by sector in Cape Town in the third quarter of 2020. Five sectors added positively and five negatively to employment growth on a quarter-on-quarter basis. Finance, real estate and business services contributed the most to employment growth (+29 635 jobs) followed by construction (+15 363 jobs) and private households (+14 840 jobs). Significant contributions to employment growth were also recorded in the transport and communication, and manufacturing sectors, up by 9 373 and 6 374 jobs respectively.

Trade, hotels and restaurants reflected the highest decrease in employment when compared to the previous quarter (-31 486 jobs). Large decreases were also recorded in the agriculture, forestry and fishing (-11 092 jobs), electricity and water (-6 728 jobs), and community, social and other personal services (-6 130 jobs) sectors. A minimal decrease was recorded in the mining and quarrying sector (-174 jobs).

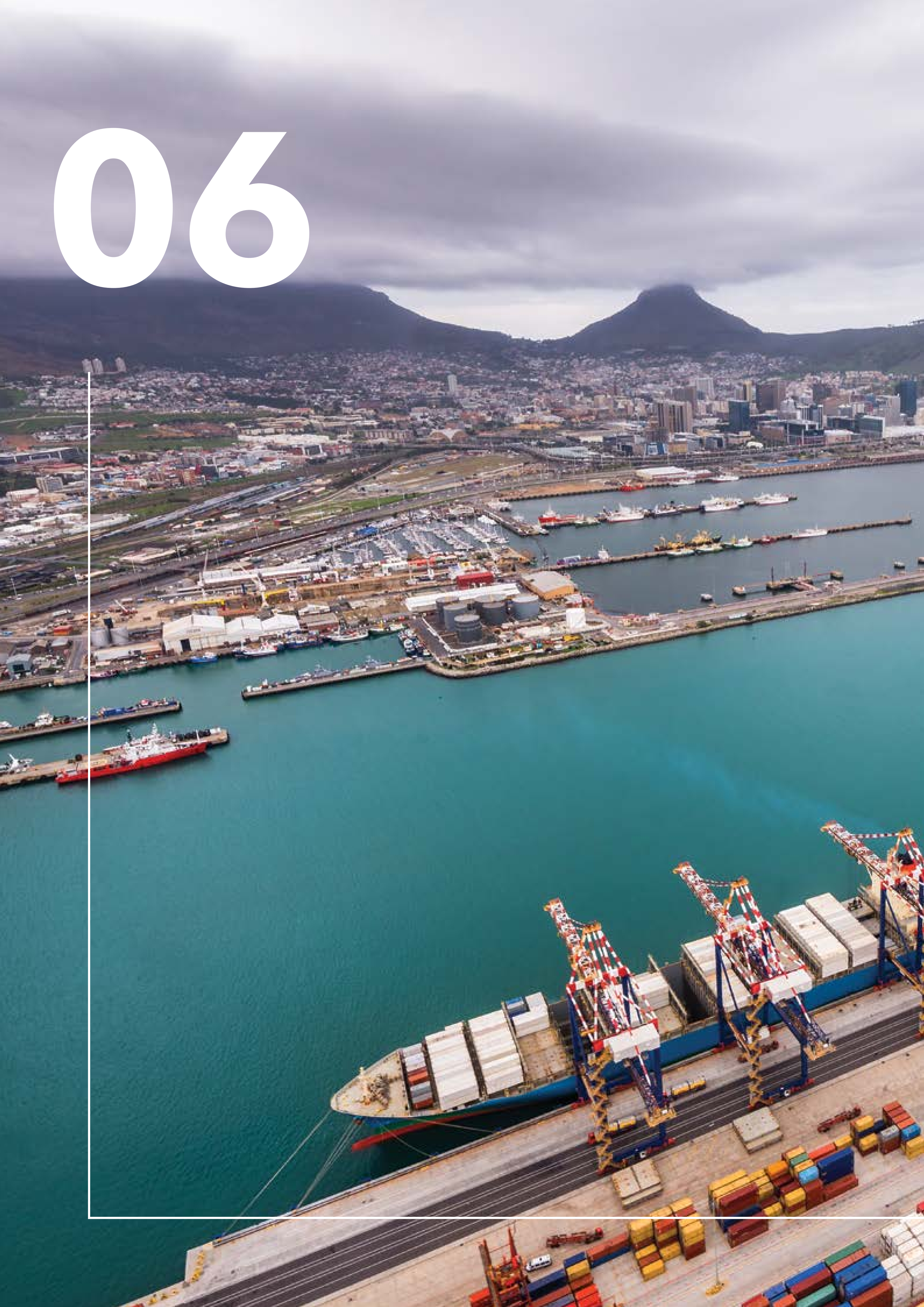
On a year-on-year level, construction was the only sector to add positively to employment (+5 861 jobs), while nine sectors displayed negative employment growth when compared to the same period in 2019. Similar to its quarterly performance, the trade, hotels and restaurants sector recorded the largest year-on-year decrease of 49 864 jobs. This was followed by manufacturing (-35 212 jobs), finance, real estate and business services (-34 570 jobs), and community, social and other personal services (-28 151 jobs) sectors. Meaningful declines were also noted within the transport and communication (-17 788 jobs), private households (-12 795 jobs), and agriculture, forestry and fishing (-10 037 jobs) sectors. Negative year-on-year recordings were also reflected in the electricity and water (-7 049 jobs), and mining and quarrying (-222 jobs) sectors.

**FIGURE 9: QUARTERLY AND ANNUAL CHANGE IN EMPLOYMENT PER SECTOR FOR CAPE TOWN, 2020 Q3**




*Source: Statistics South Africa, Quarterly Labour Force Survey, 2020 Quarter 3, November 2020.*

# 06



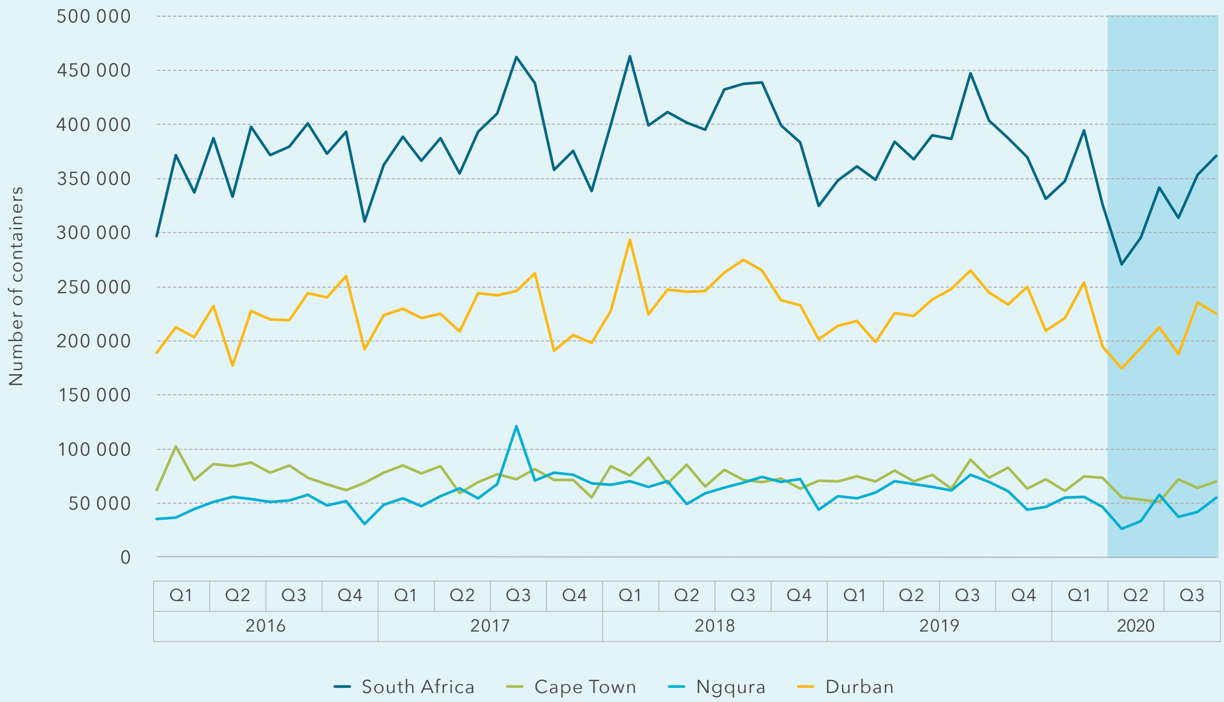
# INFRASTRUCTURE AND TRADE

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 and (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 by Figure 10. As a result, it is best to compare total containers handled, as measured in twenty-foot equivalent units (TEUs),[5] over the period of a year. In the third quarter of 2020, the Port of Durban[6] remained the largest container handling port in South Africa with 648 655 TEUs, which accounted for 62,4% of all containers handled in the country. It was followed by the Port of Cape Town (19,9%) and the Port of Ngqura[7] (13,1%).

FIGURE 10: TOTAL CONTAINERS HANDLED (NATIONALLY), 2016 Q1 TO 2020 Q3




*Source: Transnet National Ports Authority (TNPA), November 2020.*
*Note: 27 March to 20 September 2020 have been shaded above to highlight lockdown impacts, notably restriction levels 5 to 2 (inclusive).*

As shown in table 4, the total number of containers handled at South African ports declined in the third quarter of 2020 when compared to the same period in 2019. The Port of Cape Town experienced a decrease from 226 764 TEUs in the third quarter of 2019 to 206 699 TEUs in the third quarter of 2020, reflecting a year-on-year decline of 8,8%. The Port of Durban recorded a decrease of 14,3% in containers handled, while the Port of Ngqura reported the largest decrease of 34,4% when compared to the third quarter of 2019. Overall, the total containers handled nationally decreased year-on-year by 16,0%, from 1 237 580 TEUs in the third quarter of 2019 to 1 039 183 TEUs in the third quarter of 2020.

*5 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.*
*6 The Port of Durban is located in the eThekwini metro municipality.*
*7 The Port of Ngqura is located in the Nelson Mandela Bay metro municipality.*

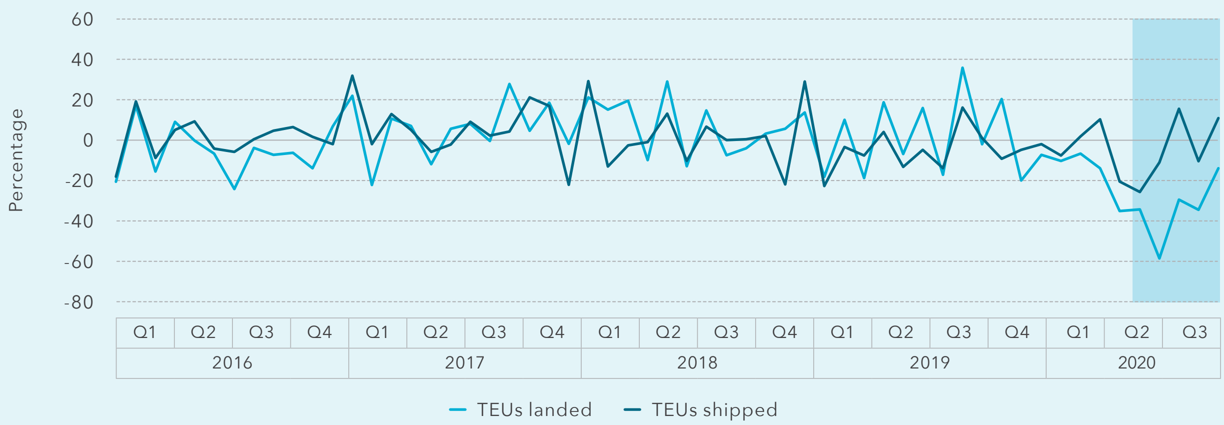
## TABLE 4: COMPARISON OF TOTAL CONTAINERS HANDLED (IN TEUs)

| | 2020 Q3 | 2020 Q2 | 2019 Q3 | YEAR-ON-YEAR CHANGE |
|---|---|---|---|---|
| South Africa | 1 039 183 | 910 190 | 1 237 580 | -16,0% |
| Cape Town | 206 699 | 161 780 | 226 764 | -8,8% |
| Durban | 648 655 | 582 531 | 756 760 | -14,3% |
| Ngqura | 135 749 | 119 028 | 207 029 | -34,4% |

*Source: Transnet National Ports Authority (TNPA), November 2020.*

International ports continue to open as countries such as China and Hong Kong observe a rise in container ship port calls. South Africa has followed suit, as services that were initially reduced because priority was given to essential goods are now slowly returning to pre-Covid-19 levels, albeit with precautions in terms of managing the existing health risk. Figure 11 illustrates TEUs landed and TEUs shipped, reflecting imports and exports respectively. The Port of Cape Town recorded a year-on-year decrease of 26,0% in TEUs landed, from 81 819 in the third quarter of 2019 to 60 531 TEUs in the third quarter of 2020. In contrast, the number of TEUs shipped increased by 4,6%, from 79 810 TEUs in the third quarter of 2019 to 83 496 TEUs in the third quarter of 2020. This corresponds with the strong export demand noted in the national GDP figures for the third quarter.

## FIGURE 11: ANNUAL CHANGE IN TEUs HANDLED AT THE PORT OF CAPE TOWN, 2016 Q1 TO 2020 Q3




*Source: Transnet National Ports Authority (TNPA), November 2020.*

Operational challenges at the Port of Cape Town have resulted in less than optimal service levels. According to a Western Cape Department of Economic Development and Tourism official (Jansen, 2020), this has been evident for several years as the port's actual performance was lower than what the market required, thus impeding the fresh produce industry's growth objectives in particular. This situation deteriorated further due to the Covid-19 pandemic and the resultant economic restrictions. However, the number of containers handled now points to a recovery from the previous quarter.

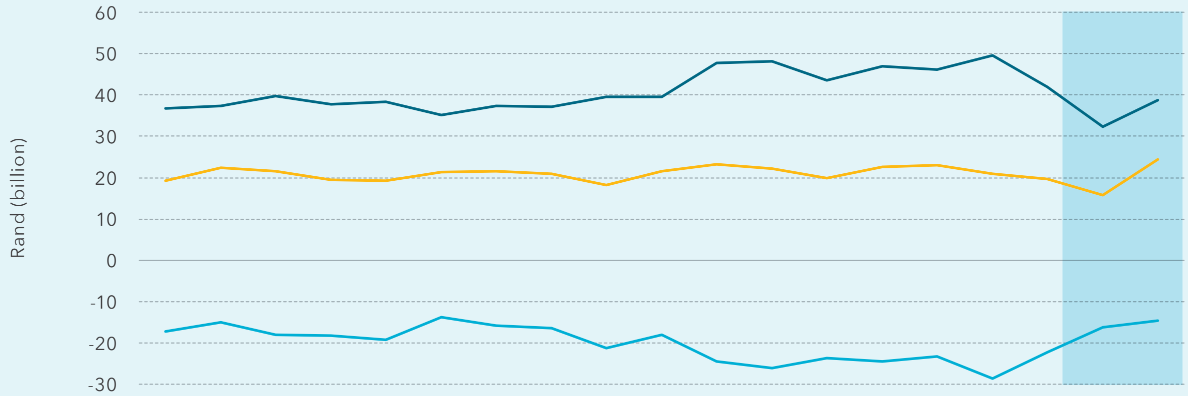
In the third quarter of 2020, the number of TEUs landed at the Port of Cape Town showed a quarter-on-quarter increase of 38,6%, while TEUs shipped recorded an increase of 27,5%. This can be largely attributed to operational improvements resulting from the implementation of various interventions, including a collaboration with the Port of Durban to tackle lockdown-induced challenges, which included the loaning of 20 crane operators from the Port of Durban. In addition, the maintenance team was bolstered with the appointment of new staff, and as retired staff returning to assist (Jansen, 2020). Two generator packs were leased to assist the fruit industry with additional operational capacity (Goddard, 2020). A R2-billion investment by TNPA in the replacement of equipment will allow for an additional four rubber-tyred gantry cranes for the Port of Cape Town, scheduled to arrive in November 2020. This will increase capacity at the port, thereby allowing it to improve on its service delivery and efficiency (Cape Town Business News, 2020).

# CAPE TOWN TRADE

Quarter 3 trade saw an improvement in Cape Town's exports and imports, as illustrated in Figure 12, which shows the quarterly trade balance for Cape Town. From the second quarter of 2020 to the third quarter, exports increased by 49,0% to R24,1 billion, while imports increased by 19,0% to R39 billion. These increases were from a low base due to the level 5 lockdown in April, which resulted in severe production disruptions and limited trade to only "essential" goods.

Although there were quarter-on-quarter increases as trade opened up after a hard lockdown, the third quarter results show a 6% increase in the value of exports from the same period in 2019, while the value of imports decreased by 15% year-on-year.

**FIGURE 12: CAPE TOWN'S TRADE BALANCE, 2016 Q1 TO 2020 Q3**




| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2016 | | | | 2017 | | | | 2018 | | | | 2019 | | | | 2020 | | |
| Export | 19,4 | 22,2 | 21,5 | 19,5 | 19,3 | 21,2 | 21,4 | 20,8 | 18,5 | 21,5 | 23,1 | 22,1 | 20,0 | 22,4 | 22,7 | 21,0 | 19,7 | 16,2 | 24,1 |
| Import | 36,9 | 37,7 | 39,8 | 37,9 | 38,6 | 35,4 | 37,5 | 37,5 | 39,7 | 39,8 | 47,4 | 47,9 | 43,6 | 46,7 | 46,0 | 49,3 | 42,0 | 32,7 | 39,0 |
| Trade balance | -17,5 | -15,4 | -18,3 | -18,4 | -19,3 | -14,2 | -16,1 | -16,7 | -21,2 | -18,2 | -24,4 | -25,8 | -23,5 | -24,3 | -23,3 | -28,3 | -22,4 | -16,6 | -14,9 |

*Source: Quantec, 2020.*
*Note: 27 March to 20 September 2020 have been shaded above to highlight lockdown impacts, notably restriction levels 5 to 2 (inclusive).*

The top 10 exports for Cape Town in the third quarter of 2020, which accounted for 50,8% of total exports, are shown in table 5 on the following page. When compared to the third quarter of 2019, the largest year-on-year decline in export value is observed for refined petroleum oil (-62,6%). This is unsurprising given the drastic drop in global oil prices recorded during this period.

Some supply chain disruptions began to ease in the third quarter of 2020, resulting in most export categories in the top 10 recording positive year-on-year growth.

Some of this growth may, however, be due to backlogs and unfulfilled demand, for which processing could resume after lockdown level 5. These growth categories included animal or vegetable oil or fat, which recorded a significant 11 377,6% increase, and diagnostic or lab reagents, which increased by 2 508,5%. The latter could be attributed to the general increase in demand for medical supplies that assist in the production of vaccines. Due to the unique change in demand patterns, some products that are usually positioned in the top 10 exports, such as engine parts, saw a decline of 52% when compared to the third quarter of 2019.

## TABLE 5: CAPE TOWN'S TOP 10 EXPORTS, 2020 Q3

| CAPE TOWN'S TOP EXPORT CATEGORIES FOR 2020 Q3 (HS 4) | ZAR MILLION | % OF TOTAL EXPORTS | YEAR-ON-YEAR GROWTH, 2020 Q3 |
|---|---|---|---|
| Citrus fruit | R4 473,7 | 18,6% | 22,0% |
| Refined petroleum oils | R1 642,3 | 6,8% | -62,6% |
| Apples and pears | R1 256,1 | 5,2% | 14,8% |
| Diagnostic or laboratory reagents | R1 151,9 | 4,8% | 2 508,5% |
| Animal or vegetable oil or fat | R719,1 | 3,0% | 11 377,6% |
| Animal feed | R670,5 | 2,8% | 170,2% |
| Wine | R656,9 | 2,7% | 23,1% |
| Yachts and pleasure vessels | R573,3 | 2,4% | 48,4% |
| Jewellery with precious metal | R561,1 | 2,3% | 67,3% |
| Cigarettes and tobacco | R528,4 | 2,2% | 24,4% |
| **Total of top 10 export categories** | **R12 233,2** | **50,8%** | |
| **Total of ALL products** | **R24 072,3** | **100,0%** | **5,9%** |

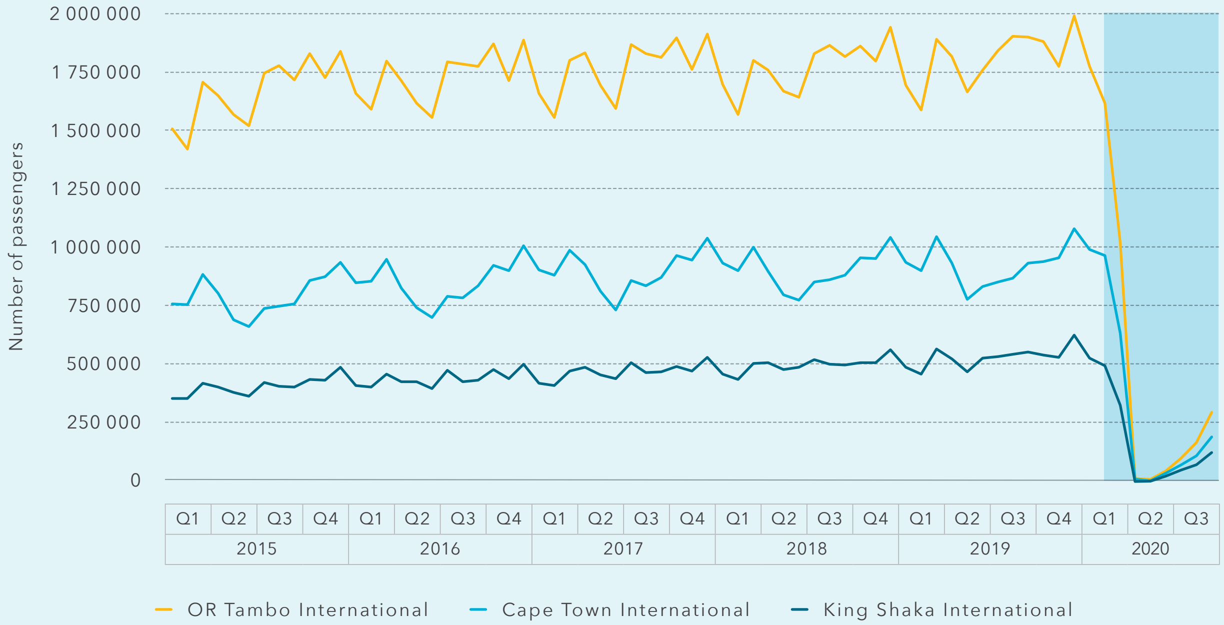
*Source: Quantec, own calculations, November 2020.*
*Note: Only the top 10 exports at an HS4 level are shown in the table above.*

# AIRPORT STATISTICS

Cape Town International Airport is South Africa's second-busiest airport, after OR Tambo International Airport in Johannesburg. Following record low passenger numbers in the second quarter of 2020 (an average decline of 98,4% quarter-on-quarter and 98,6% year-on-year across the three international airports) as a result of local and international border and travel restrictions associated with the pandemic, air passenger numbers started to pick up in the third quarter when local lockdown restrictions began to ease, thereby allowing for greater mobility across provinces. Cape Town International recorded 336 229 total passenger movements (arrivals and departures) in the third quarter of 2020, compared to 559 164 passenger movements at OR Tambo International and 239 799 at King Shaka International during the same period.

To account for seasonal trends, passenger statistics are best analysed at a year-on-year level. Despite the resumption of increased air travel throughout the third quarter of 2020, total passenger movements remain significantly low at a year-on-year level. When compared to the same period in 2019, total passenger movements at Cape Town International decreased by 98,3%. OR Tambo International and King Shaka International mirrored this trend, recording year-on-year declines of 98,8% and 98,6% respectively.

**FIGURE 13: TOTAL (MONTHLY) PASSENGER MOVEMENTS AT SOUTH AFRICA'S MAJOR AIRPORTS, 2015 Q1 TO 2020 Q3**



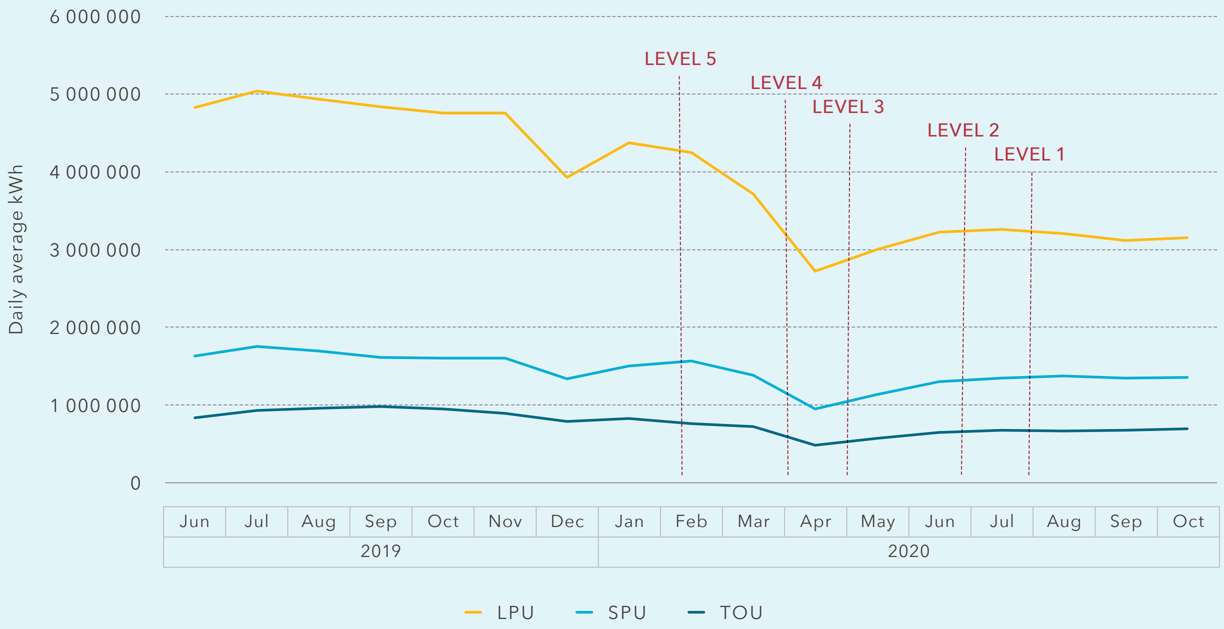

*Source: Airports Company South Africa, November 2020.*
*Note: 27 March to 20 September 2020 have been shaded above to highlight lockdown impacts, notably restriction levels 5 to 2 (inclusive).*

The significant year-on-year declines are not only indicative of international travel constraints and the associated higher costs, such as mandatory Covid-19 tests or self-isolation periods, but also the strain placed on travel and tourism activities due to public fears of contracting Covid-19. As international travel was still restricted during the third quarter of 2020, this is further illustrated by the type of arrivals. In the third quarter of 2020, domestic arrivals accounted for more than 90% of total arrivals, compared to the 65% it made up in the same period of 2019.

# COMMERCIAL 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), small power users (SPUs), and time of use (TOU) customers is therefore a good indicator of production levels in the manufacturing sector. According to data collected by the City from a representative sample of LPUs, SPUs, and TOU customers, the introduction of the nationwide lockdown towards the end of March 2020 led to a sharp decline in electricity consumption in April 2020. However, the easing of stringent lockdown restrictions, as the country moved to lockdown level 4 on 1 May 2020, resulted in an upswing in electricity consumption. Despite the further easing of lockdown restrictions, commercial electricity consumption was generally flat between August and October 2020, as illustrated in figure 14.

**FIGURE 14: CAPE TOWN'S COMMERCIAL ELECTRICITY USAGE, JUNE 2019 TO OCTOBER 2020**




*Source: Electricity Generation and Distribution, CCT, December 2020.*

Daily average consumption of electricity by LPUs, SPUs, and TOU customers from August to October 2020 was generally lower than in the corresponding period in 2019. However, month-on-month consumption was relatively stagnant, with overall commercial electricity usage decreasing by only -0,8% over that time period. Individual trends in electricity consumption by LPUs, SPUs, and TOU customers were mixed. While electricity consumption by LPUs decreased in August and September 2020 by 1,6% and 2,8% respectively, it increased by 1,0% in October 2020. On the other hand, electricity consumption by SPUs grew by 1,8% in August 2020 before decreasing by the same margin in September 2020. This was followed by a slight increase of 0,9% in October 2020. Electricity consumption by TOU customers decreased by 1,9% in August 2020 before increasing by 2,5% and 1,5% in September and October 2020 respectively.

The mixed trends in electricity consumption by LPUs, SPUs, and TOU customers and the slight decrease in overall commercial electricity consumption, despite the progressive easing of lockdown restrictions, could be pointing to the systemic negative impact that the pandemic and the lockdown has had on businesses. Some may have scaled down operations, while others may have had to close down. As a result, manufacturing production and output may not return to pre-Covid-19 levels for some time, hence the stagnation in commercial electricity use.

# 07


# TOURISM

In a global climate of relatively subdued economic performance, tourism often outshines traditional economic sectors. As an international 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

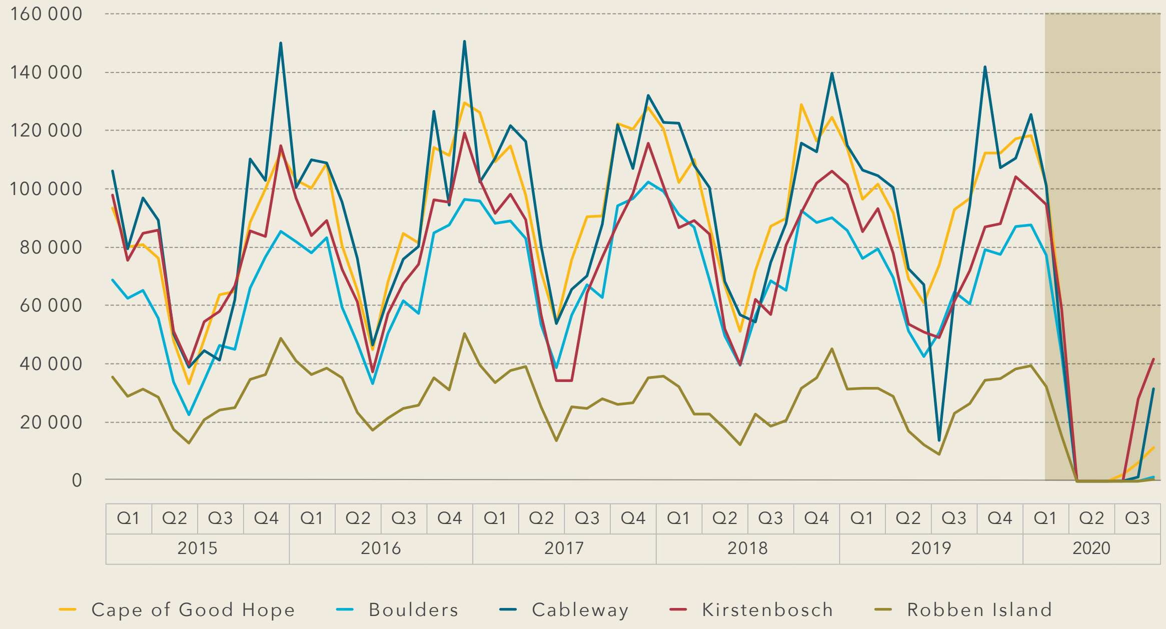
Cape Town is a well-known domestic and international tourist destination, and the city's tourism sector is a valuable contributor to the local and national economy. With the commencement of the nationwide hard lockdown on 27 March 2020, the tourism industry was amongst the hardest hit. Some activity only began resuming from 1 June 2020, as the country eased restrictions to lockdown level 3 (South African Government, 2020b). These activities, however, remained limited to "intra-provincial private self-drive excursions and guided tours". Further easing of restrictions came into effect from 18 August 2020 with the nationwide shift to lockdown level 2, which then allowed for increased domestic tourism activity. Amongst the changes were the reopening of beaches and conference facilities, and accommodation facilities for leisure purposes and inter-provincial travel (South African Government, 2020c).

Despite the easing of restrictions in the third quarter of 2020, tourism activity remained muted. According to Cape Town Tourism's Industry Impact Report of September 2020[8] (Cape Town Tourism, 2020), the nationwide shift to lockdown level 3 still saw 76% of the surveyed tourism businesses unable to operate, nor "able to pivot their business". Subsequent easing of restrictions to lockdown level 2 resulted in 74% of the surveyed respondents being operational, however only 7% noting that they were making a profit. The survey results further highlight that the industry will likely face a long path to recovery, anticipating a return to 2019 activity levels only by 2022. This is underpinned by the continued restrictions facing the international tourist market, on which the local industry relies fairly heavily. As an example, only 43% of the surveyed respondents noted that they would benefit from the reopening of the domestic market, with just over half having a strategy in place to capitalise thereon.

Following a complete shutdown in the second quarter of 2020, all of Cape Town's five major tourist attractions[9] reopened to the public during the third quarter. The Table Mountain Aerial Cableway and Cape of Good Hope were amongst the first to resume operations in July 2020 and recorded a total of 33 176 and 20 003 visits respectively in the third quarter of 2020. This, however, did little to stem the year-on-year visitor decline of 80,7% and 92,4% respectively when compared to the third quarter of 2019. Kirstenbosch National Botanical Gardens, which reopened in August, recorded 69 613 visits in the third quarter of 2020, declining 61,8% from the same period in 2019. Resuming operations in September, Boulders Beach recorded 1 396 visits, while Robben Island recorded only 635 visits, representing year-on-year declines of 99,2% and 98,9% respectively. While consumer spending may remain subdued as a result of the constrained economic climate and the associated uncertainty, the significant year-on-year declines are mainly indicative of an absent international tourist market. As reported by Cape Town Tourism (2020), the industry sentiment remains that its recovery largely depends on the reopening of the country's borders and the return of international tourists.

[8] *The Cape Town Tourism Industry Impact Report, September 2020, is based on surveys conducted from 3 August to 18 September 2020.*
[9] *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, 2015 Q1 TO 2020 Q3




*Source: Wesgro, December 2020.*
*Note: 27 March to 20 September 2020 have been shaded above to highlight lockdown impacts, notably restriction levels 5 to 2 (inclusive).*

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 are Cape Town's winter months. The performance recorded for the second and third quarters of 2020 are thus a shock to the sector, with much recovery required to regain past levels of tourism activity.

# 08

# ADDITIONAL INDICATORS

In addition to macro-economic 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.

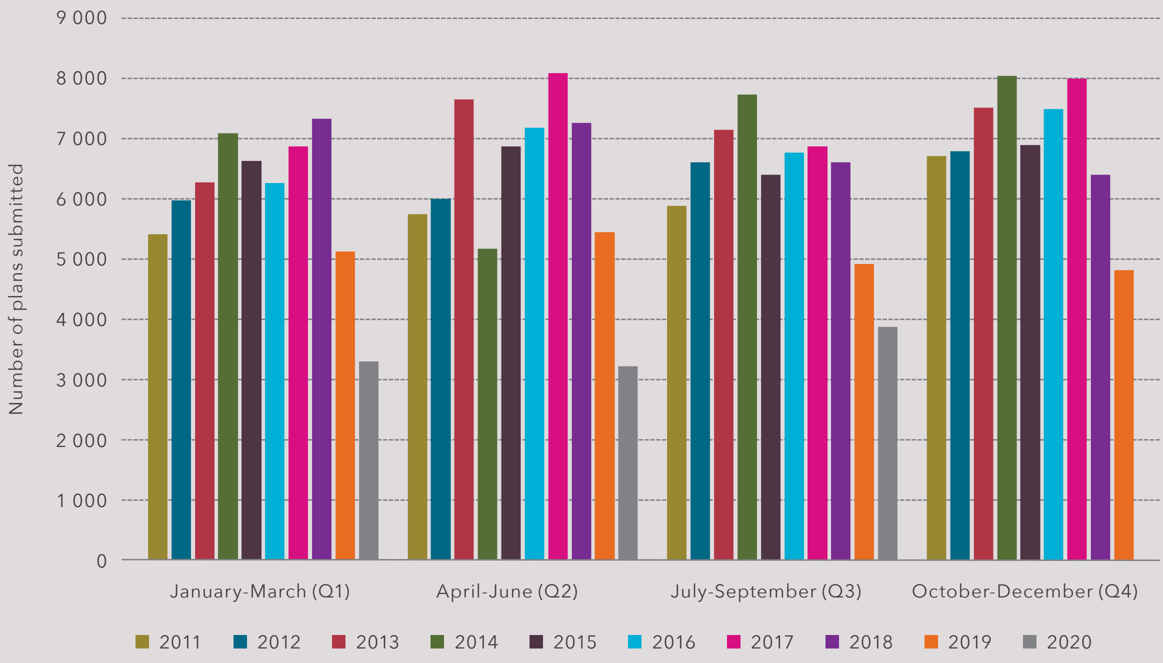
# BUILDING DEVELOPMENTS

The economic growth data for the third quarter of 2020 show that national output in the construction industry grew by 71,1% quarter-on-quarter. While this marks the end of the sector's eight-quarter-long negative growth streak, it should be viewed with caution as it is also attributable to the sector's near standstill in the previous quarter due to the nationwide lockdown. On a year-on-year basis, the sector recorded its 14th consecutive contraction (-22,5%). The Western Cape's construction industry mirrored these national trends, recording quarter-on-quarter growth of 66,4% while contracting by 23,9% on a year-on-year basis in the third quarter of 2020 (Quantec, 2020).

The First National Bank (FNB)/BER Building Confidence Index,[10] after reaching an all-time low of 4 index points in the second quarter of 2020, regained some lost ground, recording 24 index points in the third quarter. According to the BER (2020d), the positive rebound is attributed to improved domestic demand, which boosted confidence of hardware retailers and building material manufacturers.

The improved domestic demand is further evident in the number of building plans submitted to the City for approval, which totalled 3 870 in the third quarter of 2020, an increase of 20,0% from the previous quarter. 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. Year-on-year, building plan submissions decreased by 21,3% in the third quarter of 2020, which represents a continuation of the declining annual trend. This reflects the current lack of confidence in the industry and mirrors the findings of the FNB/BER Civil Confidence Index,[11] which remains considerably low at 11 index points for the third quarter of 2020, an increase of only 6 index points on the previous quarter (BER, 2020e).

**FIGURE 16: BUILDING PLANS SUBMITTED TO THE CITY OF CAPE TOWN, 2011 Q1 TO 2020 Q3**




*Source: Planning and Building Development Management Department, CCT, November 2020.*

[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.*

[11] *The FNB/BER Civil Confidence Index captures the business confidence of civil contractors. A recording of 10 means that 90% of the survey respondents are dissatisfied with the current business conditions in their sector.*

# NEW VEHICLE SALES

Total vehicle market sales in the Western Cape show a partial recovery in the market, recording 10 734 in the third quarter of 2020 and edging closer to pre-lockdown levels, after recording only 4 702 sales in the second quarter. On a year-on-year basis, however, vehicle sales experienced a decrease of 21,3% (2 898 units) from 13 632 vehicles sold in the same period of 2019, suggesting that the market remains sluggish. Passenger vehicle sales in the Western Cape, which represents the private consumer segment of the market, increased from 3 129 vehicles in the second quarter of 2020 to 6 902 vehicles in the third quarter of 2020. The year-on-year results showed a decrease of 20,4% (1 771 units) from the 8 673 vehicles sold in the third quarter of 2019.

At a national level, passenger vehicle sales reported a year-on-year decrease of 33,7% (30 324 units) vehicles sold, from the 89 852 units sold in the third quarter of 2019 to 59 528 units in the third quarter of 2020. Despite the quarter-on-quarter recovery, these national and provincial passenger vehicle sales figures point to a market that remains under strain.

The Covid-19 pandemic and resultant economic restrictions brought a profound shock to consumers' willingness and ability to spend, and many sectors' confidence in the local business environment. Despite the lack of confidence from both consumers and businesses, the confidence indices showed slight improvement in the third quarter from the levels of the previous quarter. The consumer confidence index regained 10 index point to reach -23 index points,[12] largely driven by an increase in household finances and time-to-buy durable goods[13] indices (BER, 2020f). As household disposable income remains under immense strain, and with consumer confidence not showing any significant improvement, the retail sales of durable and semi-durable goods such as new vehicles will remain under serious pressure for the foreseeable future (Stoddard, 2020).

TransUnion's Vehicle Pricing Index (VPI) revealed that new and used passenger finance deals have also decreased on a year-on-year basis by 23% and 20% respectively (Reddy, 2020). This decline can be attributed to rising vehicle prices, challenging trading conditions and uncertainty in the market. In addition, the used-to-new ratio has increased marginally from 2,31 in the third quarter of 2019 to 2,35 in the third quarter of 2020. This reaffirms that the market for used cars continues to increase as consumers are opting for older vehicles due to the financial constraints they are facing. As Covid-19 continues to impact the domestic market, used car prices are expected to escalate on the back of rising demand for, but diminishing supply of, quality used vehicles (Reddy, 2020).

Despite the slow recovery, the National Association of Automobile Manufacturers of South Africa (NAAMSA) has an optimistic economic outlook for South Africa's automotive industry. The association expects new vehicle sales to recover significantly from the extreme lows experienced in 2020. Despite this optimistic outlook, however, new vehicle sales are expected to only achieve the pre-Covid-19 levels by 2022 and beyond. NAAMSA suggests that government should support the local automotive sector through mechanisms such as reductions of various taxes applied to this industry, such as the $CO_2$ tax on new vehicle purchases, in order to stimulate new vehicle sales (Cokayne, 2020).

[12] *The consumer confidence index can, theoretically, vary between –100 and 100 (BER, 2020g).*

[13] *The 'time-to-buy durable goods' sub-index of the FNB/BER Consumer Confidence Index measures the "suitability of the present time to buy durable goods" such as cars, appliances or furniture (BER, 2020f).*

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# ABBREVIATIONS

| | |
|---|---|
| **BER** | Bureau for Economic Research |
| **CBD** | central business district |
| **CCT/City** | City of Cape Town |
| **CPI** | consumer price index |
| **CT** | Cape Town |
| **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 |
| **IMF** | International Monetary Fund |
| **LPU** | large power user |
| **MPC** | Monetary Policy Committee |
| **NAAMSA** | National Association of Automobile Manufacturers of South Africa |
| **PMBEJD** | Pietermaritzburg Economic Justice and Dignity |
| **PMI** | Purchasing Managers' Index |
| **PPI** | producer price index |
| **QLFS** | Quarterly Labour Force Survey |
| **RMB** | Rand Merchant Bank |
| **SA** | South Africa |
| **SARB** | South African Reserve Bank |
| **SPU** | small power user |
| **TEU** | twenty-foot equivalent unit |
| **TNPA** | Transnet National Ports Authority |
| **TOU** | time of use |
| **USD** | United States dollar |
| **VPI** | Vehicle Pricing Index |
| **WC** | Western Cape |
| **ZAR** | South African rand |