



### **Economic Performance Indicators for Cape Town**



## **2020 QUARTER 4**

(October-December)

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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 fourth quarter of 2020, covering the period 1 October to 31 December 2020.

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### **FOREWORD**

Following on from the key programmes and interventions that I highlighted in the previous edition, it is encouraging to note that the strategies that the City has implemented are gaining momentum, and our collective economic achievements have demonstrated how resilient Capetonians really are.

In fact, Cape Town has historically been one of the most resilient metros nationally in terms of managing the economic fallout since the global financial crisis of 2008, with consistently higher than average employment figures and a business-friendly administration.

As a premier business destination, Cape Town continues to attract significant investment. The national lockdowns - while necessary and expedient measures - have not been without consequence, one of the most significant of which has been a general slowdown in investment across much of South Africa over the past 12 months. Against this challenging backdrop, I am particularly proud of what I consider two of the City's biggest achievements in 2020, which have been the attraction of R11,27 billion in investments, and the creation of over 7 500 new jobs - both in a pandemic year. No other municipal government in the country has achieved this.

With business trading and most economic activity suspended for large portions of 2020, we anticipate a significant and, perhaps, long-lasting impact on growth nationally, and on income at individual and household levels. With that in mind, it is very encouraging to note that employment in private households and community and personal services grew by 9 472 and 8 677 jobs respectively.

Echoing the Q4 2020 Statistics South Africa Quarterly Labour Force Survey, which shows a vital increase in the number of persons formally employed, this quarter's highlights include an increase in the number of people employed in Cape Town by 35 035, to a total of 1,45 million. This shows that we are on the right track and our economic recovery plan, aimed at response, adaptation, recovery, and stabilisation, is gaining traction.

I note with interest that the main contributor to quarter-on-quarter employment growth during the period was the construction sector, which added 36 235 jobs. This endorses the City's strategy to move forward on its capital expenditure programmes and make every effort to expedite building plan approvals to ensure the construction sector could reopen after the nation lockdown. As a consequence of this commitment, the City's Planning department approved building plans to an estimated value of R16 billion in 2020.

These pleasing statistics give me confidence that Cape Town is well placed to rebuild its economy and ensure inclusive economic growth in a post-Covid-19 economic landscape.

These pleasing statistics give me confidence that Cape Town is well placed to rebuild its economy and ensure inclusive economic growth in a post-Covid-19 economic landscape. And this sentiment is further bolstered by the total vehicle market sales figures for the Western Cape, which continued their gradual recovery in the fourth quarter of 2020 with 12 259 vehicles sold, including a good increase in passenger vehicle sales to 8 321 units.

And Cape Town's vital boat-building sector has also continued to do well in the fourth quarter of 2020. We are proud to have partnered with the V&A Waterfront to fund new strategic business partner, Blue Cape, in this value-adding sector.

Cape Town's top five tourist attractions also continued their recovery in the fourth quarter, with increased visits recorded on a quarter-on-quarter basis over the period. Our Tourism 10-point strategy, launched in December 2020, embraces international best practice and includes campaigns to stimulate supply and demand for specific key source markets, to drive the various stages of recovery and readiness.

Through our Air Access partnership, we will also continue to leverage all of our synergies to ensure connectivity and sustain tourism demand to Cape Town. Air passenger movements continue to improve on a quarter-on-quarter basis, thanks mainly to domestic travellers. In the fourth quarter of 2020, Cape Town International recorded 665 372 more passenger movements compared to the previous quarter.

Looking to the future, the team and I continue to focus intently on ensuring Cape Town's economic recovery, readiness and resilience. With the right plans, which are proven to work, I am confident that we will continue to attract the investment we need to make Cape Town the go-to city in Africa for travel and trade. I look forward to working with the collective City team on this extremely important task. We dare not fail.



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









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### INTRODUCTION

This is the 31<sup>st</sup> edition of the EPIC publication, which presents and analyses economic (and related) trends in Cape Town on a quarterly basis.

The final quarter of 2020 closed out an incredibly challenging year for the local and global economies. An almost complete shutdown of the South African economy in April, followed by rolling restrictions on economic activity throughout the rest of the year, placed immense pressure on local businesses, both large and small, as well as on the country's and city's labour force. This edition of EPIC reflects on some of the encouraging signs of sustained economic recovery in the fourth quarter, but also takes stock of the year 2020 as a whole, revealing just how far we still need to go to reach (and hopefully exceed) our pre-Covid-19 level of economic activity.

As a keystone indicator of economic performance, GDP growth for both the country and the Western Cape surprised on the upside in the fourth quarter. The province's quarter-on-quarter growth rate of 6,6% exceeded both the country's growth rate (6,3%) and the Bureau of Economic Research's forecast (for the country) of 5,6%. Critical to this growth performance was the performance of the manufacturing sector in the province, which grew by 25,8%. While this is admittedly off a low base, it is nevertheless an encouraging sign that the economic recovery is picking up steam. Given that Cape Town's manufacturing sector is the largest contributor to manufacturing in the province, it's reasonable to expect that the city may have benefitted even more generously from the sector's strong performance. Certainly, from an employment perspective, manufacturing in Cape Town contributed strongly to employment growth in the fourth quarter, with employment in the sector increasing by 5 772 jobs.

Domestic demand, as partly proxied by consumer confidence indexes, remains very suppressed and this is reflected in enduringly poor vehicle and retail sales. A key factor that may explain the relatively strong manufacturing performance in this

challenging environment, is the strong performance of Cape Town's exports, which increased by 14,4% year-on-year in the fourth quarter of 2020. While some of this growth, at least in the fourth quarter, can be attributed to the export of raw products (fruit and nuts, and 're-exported' crude oil), a fair number of manufactured products also appear in the list of Cape Town's top exports. In particular, ship vessel exports have shown strong growth. This is not entirely unexpected, as Cape Town's boatbuilding industry is highly competitive and has long been a major supplier to the US market and, increasingly, into Africa.

In contrast to the manufacturing sector, a number of industries within the tertiary/services sector remain highly depressed; none more so than the tourism sector. While travel restrictions in South Africa were largely lifted toward the end of the third quarter, some countries imposed fresh restrictions on travel to South Africa, or added onerous requirements, during this period. Beyond travel restrictions, however, tourists are also simply more hesitant to travel. This is apparent from the number of visits to Cape Town's top attractions, which have declined by over 70% year-on-year, and more so for attractions typically targeting patronage by foreign tourists, such as Robben Island. For Cape Town's tourism industry, which relies so heavily on foreign tourists, the low level of foreign tourism has a very large impact. Encouragingly, the growth in both airport arrivals and visits to top attractions on a quarter-on-quarter basis shows that, while foreign tourism may have remained largely stagnant, domestic tourism is picking up again.

The contrasting performances of the manufacturing and tourism sectors suggest a need to focus on different target markets. For the tourism industry, in the short term, the focus should be on the domestic market and capturing the displaced demand associated with restrictions on South African travellers who may have intended to travel internationally this year. While, for the manufacturing industry, the focus in both the

short- and longer term may well need to be on the international market. Naturally, one cannot take a one-size-fits-all approach and for some local industries, opportunities exist for import substitution, owing to home country trade restrictions. This is potentially the case for both our local clothing and textile, and furniture industries. For the most part, however, an enduringly weak domestic climate, coupled with faster economic recovery by our major trade partners – notably the US and UK, owing to their accelerated vaccination programmes – suggests that Cape Town companies, and especially manufacturers, should increasingly be looking offshore.

Considering the economic depths from which we have emerged, the fourth quarter of 2020, held cause for cautious optimism about the economic recovery. While the recovery has a long course to run, particularly in making up the jobs lost in 2020, fourth quarter indicators at least suggested that we are on the right path. That said, recovery, and confidence in particular, is a fragile thing, as indicators for January, which saw further restrictions imposed, revealed. Indeed, after two consecutive increases in business confidence, the RMB/BER Business Confidence Index fell again in the first quarter of 2021, but that is a subject for the next issue of EPIC.

It's abundantly clear that the economy is geared for recovery, but that further restrictions on economic activity, or even whispers of restrictions, will stall this recovery. It is in this context that the country, province and City's health response become crucial to its economic performance, and why an effective vaccination programme will be the single largest stimulant to the economy.

### Paul Court

Manager: Economic Analysis

# KEY FINDINGS FOR THE FOURTH QUARTER OF 2020

In the fourth quarter of 2020, the Western Cape economy grew by 6,6% quarter-on-quarter, mirroring the national trend and sustaining its economic recovery following the nationwide lockdown in the second quarter. The provincial growth was driven by the manufacturing and construction sectors.

The Western Cape recorded an **inflation rate of 3,7%** at the end of the fourth quarter of 2020, which is slightly higher than the 3,6% shown at the end of the third quarter. Although this was higher than the national inflation rate of 3,1%, it remained within the National Treasury's inflation target range of 3% to 6%.

On a quarter-on-quarter basis, the number of people employed in Cape Town increased by 35 035 to a total of 1,45 million. On a year-on-year basis, however, this figure has decreased by 148 069 individuals. The main contributor to quarter-on-quarter employment growth during the period was the construction sector, which added 36 235 jobs, followed by private households and community and personal services with 9 472 and 8 677 jobs respectively. The transport and trade, hotels and restaurants sectors were the only sectors to shed jobs quarter-on-quarter by 2 866 and 2 393 jobs respectively.

All of Cape Town's **top five tourist attractions** continued their recovery with increased quarter-on-quarter visits recorded in the fourth quarter of 2020. Visitor numbers, however, remain low, and all the attractions have recorded year-on-year declines in visitor numbers ranging between 40% and 90%.

Air passenger movements continue to improve on a quarter-on-quarter basis, thanks mainly to domestic travellers. In the fourth quarter of 2020, Cape Town International recorded 665 372 more passenger movements than in the previous quarter.





# SUCCESSION SERVICES OF SERVICE

# TRINITY TRUST FOUNDATION

People, purpose and passion

The Covid-19 pandemic has undeniably strained the local economy. Rebuilding it through business retention is key to sustainable growth. On the one hand, many sectors have suffered, with some of the hardest hit including tourism and hospitality; but on the other hand, a collection of industries have flourished. Cape Town's Business Process

Outsourcing (BPO) sector is a case in point, where job losses were not only curbed but employment opportunities were created through recruitment and training initiatives.

Against this backdrop of diverse fortunes across businesses and industries, the Trinity Trust Foundation (TTF) is working tirelessly to support, empower and uplift their communities.

TTF is a Strandfontein-based non-profit organisation that was conceived and created in early 2020 by Paul Adams, Carl Daniels, Sam Adams and Cecil-John (CJ) Fabricks. Together, this powerhouse management team has over 50 years of experience in their respective fields, and which they now put to use overseeing a number of projects and companies with diverse service offerings. These include a credit rescue call centre, property investment, and a general maintenance business, all of which operate from an office hub that doubles as a coffee shop, printer, internet cafe, florist and feeding scheme provider.



From top left anti-clockwise Cecil-John (CJ) Fabricks, Sam Adams, Carl Daniels, Rushaan Cornelius and Paul Adams.

Every one of these business and community support entities (and many others that are not listed above) is underpinned by TTF's undertaking to create employment for local youth, develop skills training programmes and intervene in order to address the social ill of substance abuse that plagues many young people in the communities in which TTF operates.

Importantly, the charge that the TTF team is carrying out is grounded in love, compassion and humanity. Their passion for people, and their commitment to serve the community of Strandfontein and its surrounds, is a story of inspiration. Paul states, "We are building a legacy in our communities that will outlive us. While doing that, we want to ensure that we have done all we can to make this world and our local communities better places. Although not unique, the reason why we do what we do is to help others. Our ethos is probably our strongest innovation in the sense because we believe that our mandate is to help others."

This sentiment is reflected by TTF's actions, underpinned by a backstory that details a business built from the ground up despite having to overcome the hardest restrictions as set out by the lockdown level 5 regulations; and then going on to grow the business staff complement to over 22 people, within the space of just four weeks.

When a local non-operational NPO, that traded as an internet café, had to close its doors due to the challenges of the pandemic, Paul and Carl viewed this as an opportunity to launch a new initiative. According to Carl, "Paul and I decided to launch an initiative that would enhance the community and bring about a fresh new change. The focus has been, and will always be, to empower and uplift people through various initiatives."

"Around 70 to 80 people come in here on a daily basis and they leave different," Sam says. "Most people from Strandfontein know this place from before, but they love coming in here now, just to get some positive energy."

Sam, at the time freshly unemployed due to Covid-19, was brought on board to run the BPO operations. And CJ brings decades of community development experience to TTF, leading their efforts to shape their young employees in line with their focus on youth empowerment, specifically in the context of disenfranchised communities of colour with social issues linked to drug abuse. Carl, in turn, brings years of expertise in Human Resources, Business Development and Learnership spheres, and has worked to align TTF with its key stakeholders to ensure delivery on their vision to enrich the lives of the underprivileged and previously disadvantaged communities.

"The City of Cape Town has identified the BPO sector as catalytic because it is a significant driver of economic growth and job creation and has great potential for future expansion. To ensure that our city competes on the global stage and help us achieve inclusive socio-economic growth, we need to attract investment that leads to job creation. To help in this pursuit, the City continues to invest in skills and training for sectors like BPO."

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

# PESTO PRINCESS SUCCEEDING BY STAYING TRUE TO A CARING BUSINESS PHILOSOPHY



Kathleen Quillinan, founder of Pesto Princess Foods, recalls having a gut lurch when President Cyril Ramaphosa first announced the hard lockdown in March 2020. "My first reaction was to feel afraid, because you just didn't know what the scope of this was going to be. At that moment, I could see that food services would definitely just shut down, which meant that 50% of our turnover would disappear, which it did. What made me feel especially afraid was whether the customer would still see pesto sauces, and all the things we make, as essential."

Once the lockdown came into effect, Kathleen devised a plan to distribute the thousands of 500 g and 1 kg containers of bulk product the company held in storage.

"Our freezer rooms were filled to the brim, so we decided to gift our products in various directions," she says.

"Many chefs around Cape Town found that they had the facilities and staff, but no customers. They then started making meals for needy people, and we decided to gift to those chefs and a number of organisations that were feeding homeless people across Cape Town."

In addition, Pesto Princess made drop-offs to significant social influencers, who cooked with the products and posted the results on social media.

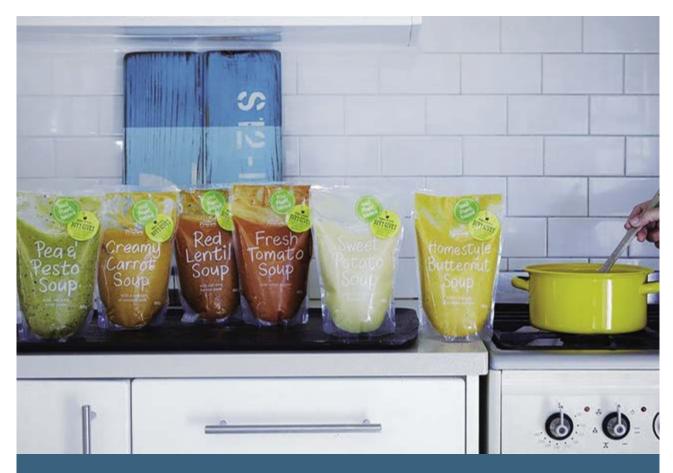
"The marketing impact of it all was amazing," Kathleen says, "we struck such a chord with people. The chefs we partnered with showed themselves to be people with big hearts."

And so did Pesto Princess, who, by distributing the surplus product, remained true to their "we care" business philosophy. As the weeks went by, the company started seeing the impact of its actions.

On its website, the company writes that what makes Pesto Princess world class is that: "We really care; we don't just pretend to. We care about everything there is to care about in the realm of business."

The company, which started from humble beginnings in Kathleen's home kitchen in 1998, employs around 70 people and supplies two major market segments: food services, which include restaurants, hotels and caterers; and retail, comprising major retailers and smaller independent stores.

"Things have definitely changed for our business," says Kathleen. "Covid-19 has taught us that we need to change the way we work. Being a food manufacturer, we were not far off anyway. A food facility is used to hand sanitising, protective



The Pesto Princess soup range. The company supplies two major market segments: food services, which include restaurants, hotels and caterers; and retail, comprising major retailers and smaller independent stores.

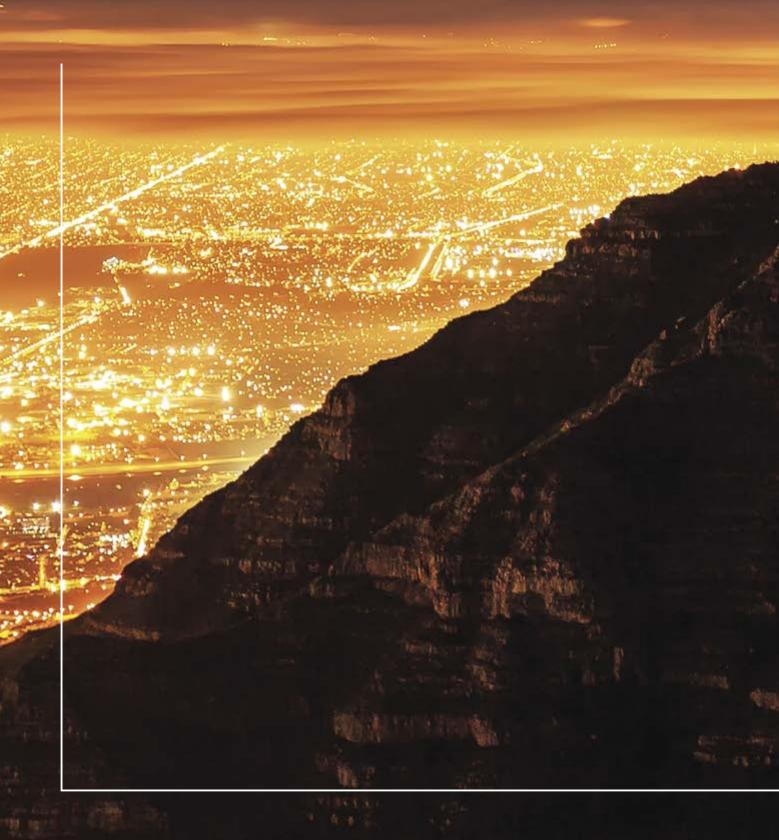
clothing and masks. We simply had to increase the frequency of what we were doing. In addition to masks, we also use visors, which work really well."

"Prior to Covid-19, people stood close together - they almost touched shoulders on the production line. We can't do that anymore. And we are definitely not going to go back to that, even if Covid-19 disappears."

Kathleen adds that she is excited about the future of the business, albeit in a Covid-19 reality.

"The pandemic has made us a bit more cautious, especially with our plans for national expansion. But it has also unlocked opportunity," she says, "one of the biggest things is that a new channel opened up in the form of online retailing, and that is something that we will definitely be exploring further in the future."







# 

# CAPE TOWN OVERVIEW 2020: QUARTER 4

### GROSS DOMESTIC PRODUCT (GDP)

The Western Cape
accounted for R417 billion³
of the R3,01 trillion gross
domestic product (GDP)
generated by South Africa
in the fourth 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



R417 billion
Western Cape

- <sup>a</sup> At constant 2010 prices; seasonally adjusted and annualised. Source: Quantec, 2020.
- <sup>b</sup> Source: IHS Markit, 2020.

### **GDP GROWTH RATE**

During the fourth quarter of 2020, the **Western Cape** achieved quarter-on-quarter GDP growth of 6,6%, compared to national GDP growth of 6,3%.c



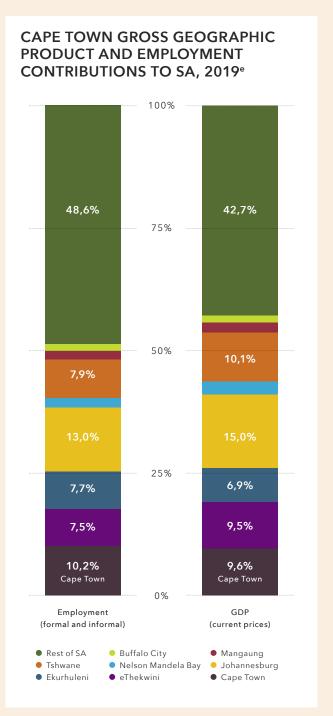
<sup>c</sup> At constant 2010 prices; seasonally adjusted and annualised. Source: Quantec, 2020.

### **GDP PER CAPITA**

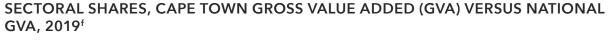
In 2019, South Africa had a GDP per capita of R86 083, while the Western Cape's GDP per capita was R101 098 and Cape Town's was R111 364.d

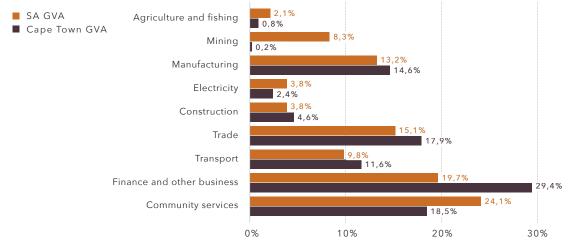


<sup>&</sup>lt;sup>d</sup> At current prices. Source: IHS Markit, 2020.



<sup>&</sup>lt;sup>e</sup> At current prices. Source: IHS Markit, 2020.





<sup>f</sup> At current prices. Source: IHS Markit, 2020.



<sup>9</sup> 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



<sup>h</sup> 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.

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



Source: Wesgro, 2020.



<sup>j</sup> Source: Wesgro, 2021.

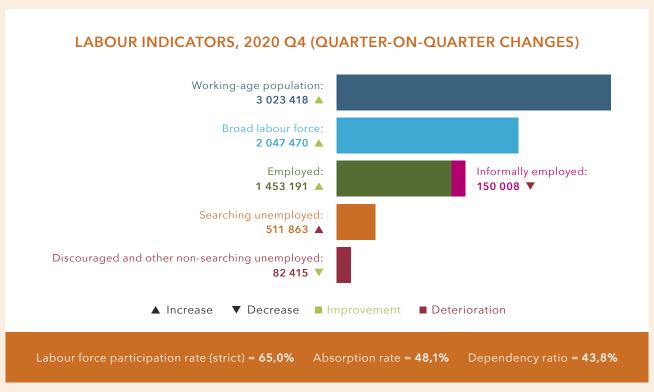
### AIR PASSENGER MOVEMENTS:

Of the **3 514 530** passenger movements through South Africa's three international airports<sup>k</sup> during the fourth quarter of 2020, **1 031 601** were through Cape Town International Airport.<sup>1</sup>

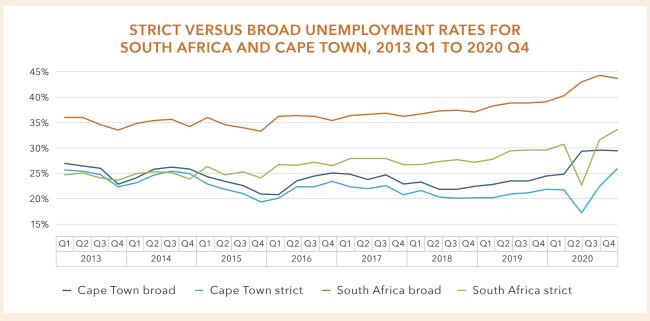


- Source: Cape Town, OR Tambo and King Shaka.
- Source: Source: Airports Company South Africa, 2021.

# LABOUR OVERVIEW 2020: QUARTER 4



Source: Statistics South Africa, Quarterly Labour Force Survey, 2020 Quarter 4, February 2021.



Source: Statistics South Africa, Quarterly Labour Force Survey, 2020 Quarter 4, February 2021.







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 rebound growth of 67,3%1 quarter-onguarter for the third guarter of 2020 (which was revised upward by 1,2 percentage points), the South African economy recorded annualised growth of 6,3% quarteron-quarter in the fourth guarter of 2020, thus sustaining its recovery from the nationwide lockdown that took place in the second quarter. The recovery in the fourth quarter was largely expected as the country experienced continued easing of the lockdown restrictions during this period, which allowed for increased economic activity, including the reopening of its borders for international travel (Ramaphosa, 2020a). Analysts were largely divided on expectations of the country's fourth quarter performance (ranging between -3,2% and 9,3%), however the eventual figure exceeded the Bloomberg consensus and Bureau for Economic Research's (BER) expectation of 5,6% (BER, 2021).

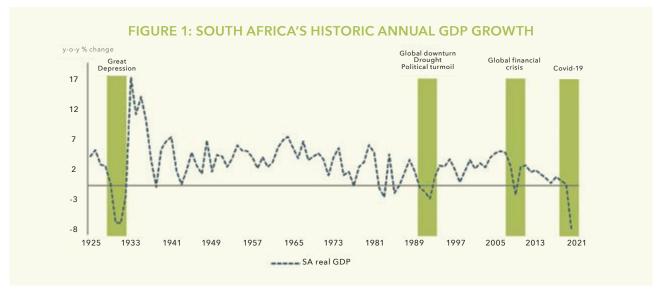
The primary drivers of the fourth quarter growth were the manufacturing sector, which grew by 21,1% quarter-on-quarter and added the most to the total national growth rate with 2,4 percentage points, as well as the construction sector, which grew by 11,2% and added 0,3 of a percentage point to total national growth. The trade sector, which grew at 9,8% in the fourth quarter of 2020, added a notable 1,4 percentage points to total national growth. The mining and finance sectors were the only sectors to record contractions in the fourth quarter, each subtracting 0,1 of a percentage point from total national growth.

The Statistics South Africa data release for GDP for the fourth quarter of 2020 also includes the annual economic activity and respective growth figures for 2020. The pandemic-induced lockdown and resultant catastrophic

economic performance of the second quarter far outweighed the recovery recorded for the second half of the year. As a result, a contraction of 7,0% annual GDP was recorded for South Africa for the completed 2020 year. As illustrated in Figure 1 below, South Africa's economic performance for 2020 is recorded as the worst since the Great Depression of the 1930s.

Notwithstanding the seemingly positive quarter-onquarter GDP figures, the enduringly weak economic climate is highlighted by additional market indicators such as the RMB/BER Business Confidence Index. While this index continued to improve (by a further 16 index points from the third quarter to record 40 index points in the fourth quarter of 2020), the BER cautions that, despite the positive gains in sentiment, actual levels of business activity remain far from pre-pandemic levels (BER, 2020a).

More indicative of business activity, the Absa Purchasing Manager's Index (PMI) survey centres around components such as business activity, new sales orders, supplier performance, prices and employment, in addition to business sentiment. Following improvements at the end of the third quarter, the Absa PMI recorded a slight increase (by 2,4 index points) to 60,9 index points in October 2020, thereafter dropping to 52,6 index points in November and then further to 50,3 index points in December 2020. According to the BER (2020b), the sustained recordings above 50 index points suggest that the manufacturing sector's growth is stabilising following lockdown-induced contractions. However, given that the average recordings in the fourth quarter of 2020 remain largely unchanged from the previous quarter, the momentum of recovery has slowed.



Source: Bureau for Economic Research, 2021.

<sup>&</sup>lt;sup>1</sup> Unless otherwise stated, quarter-on-quarter growth rates are seasonally adjusted and annualised.

# A GLOBAL COMPARISON OF ECONOMIC PERFORMANCE IN THE FOURTH 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 Update (IMF, 2021), the IMF notes that recent data pertaining to economic performance in the second half of 2020 suggest "stronger-than-expected momentum", and thus a stronger footing for 2021/22 forecasts. The IMF expects a global contraction of 3,5% for 2020, and has upwardly revised its forecast for 2021 to 5,5% (up by 0,3 of a percentage point). The forecast for 2022 remains at 4,2%. The continued impact of the pandemic, its potential resurgence bringing renewed lockdown measures, as well as logistical challenges surrounding vaccines, remain a concern.

The IMF expects advanced economies to contract by 4,9% for 2020, but upwardly revised its forecast for growth to 4,3% in 2021. Emerging economies are expected to contract by 2,4% for 2020, with an expectation of an upwardly revised growth of 6,3% in 2021. The IMF's expected growth for South Africa for 2020 was 0,5 of a percentage point worse than its recorded performance of -7%; this difference may impact on future forecast revisions, with the IMF's recent forecast for South Africa's 2021 growth at 2,8% (downwardly revised by 0,2 of a percentage point).

# 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 an annualised 6,6%, quarter-on-quarter for the fourth quarter of 2020, sustaining its recovery following its rebound performance in the third quarter (which was revised upward by 2,1 percentage points to

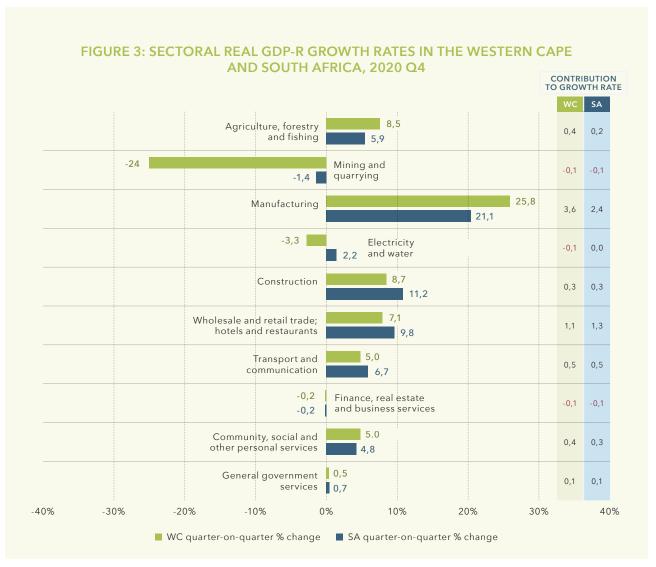
59,8%). Similar to the performance of the country as a whole (-4,2%), the Western Cape recorded a year-on-year contraction of 4,5% in the fourth quarter of 2020. The continuous negative year-on-year growth recordings indicate that, despite positive quarter-on-quarter recordings, economic activity at both the national and provincial levels remains under strain.



Source: Quantec, 2021.

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 two growth sectors were the same as those at a national level. At the provincial level the manufacturing sector recorded the highest growth, at 25,8% quarter-on-quarter, and contributed the most (3,6 percentage points) to total growth. The construction sector grew by 8,7% quarter-on-quarter, adding 0,3 of a percentage point to total growth, while the agriculture sector recorded quarter-on-quarter growth of 8,5%

in the fourth quarter and added 0,4 of a percentage point to total growth. Despite the mining sector recording a contraction of 24,0% quarter-on-quarter, its small share (0,2%) of the provincial economy meant it only subtracted 0,1 of a percentage point from total growth. The sector constitutes a much greater share of the national economy (7,9%) and, as such, its smaller contraction (-1,4% quarter-on-quarter) had the same impact on national GDP growth (subtracting 0,1 of a percentage point).



Source: Quantec, 2021.

The most prominent contributors to total GDP (value) in the Western Cape are the finance, trade and manufacturing sectors. Of these, the manufacturing and trade sectors contributed the most to the province's growth in the fourth quarter of 2020, adding a combined

4,7 percentage points to total growth. In contrast, the finance sector was among the province's (three) sectors to record a contraction (-0,2%) and contributed negatively to total growth (-0,1 of a percentage point). The agriculture sector, which historically has a greater

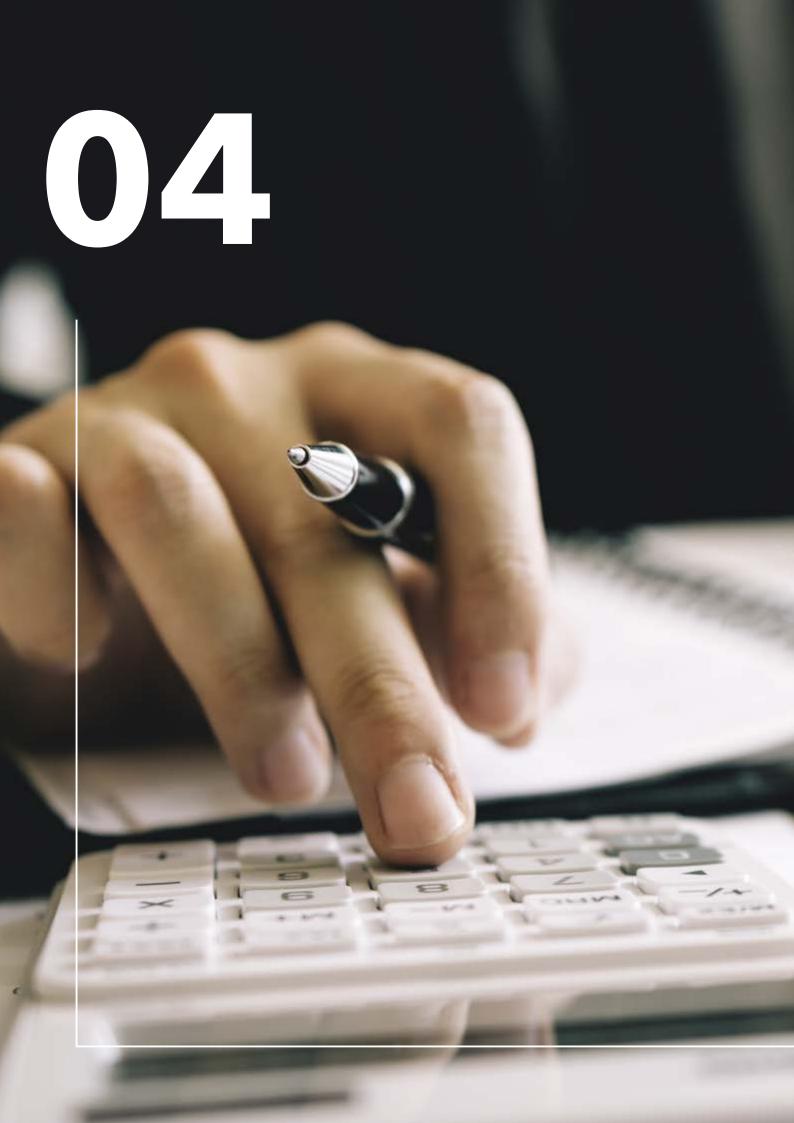
impact at a provincial level due to its higher share of the economy (4,4% of the provincial economy compared to 3,0% of the national economy), remained fairly muted in its contribution<sup>2</sup> (0,4 of a percentage point) to total growth in the fourth quarter.

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 fourth quarter of 2020, a plausible range for Cape Town's quarter-on-quarter economic growth in the fourth quarter would be between 6,4% and 6,8%. However, the nature of provincial economic growth is such that this range may not fully account for the performance of the city economy in these unprecedented times. Given that the manufacturing, trade and transport sectors – the top three contributors to the province's growth in the fourth quarter – contribute a considerable combined share of 41,1% to Cape Town's GVA, as well as the province's respective sectoral activity,³ the city's economy may have experienced a more positive performance overall.

<sup>&</sup>lt;sup>2</sup> 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 higher base - not recording a contraction in 2020 Q3, as compared to other sectors.

<sup>&</sup>lt;sup>3</sup> On average, Cape Town's manufacturing, trade and transport sectors contribute 73% of their provincial counterpart's performance.





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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 fourth quarter of 2020, the CPI increased marginally to 3,1% from 3,0% at the end of the third quarter. As illustrated in Figure 4, the CPI was 3,3% in October, decreasing slightly to 3,2% in November and further to 3,1% in December. Overall, the CPI hovered largely around the bottom of the inflation target range (3%) for this quarter.

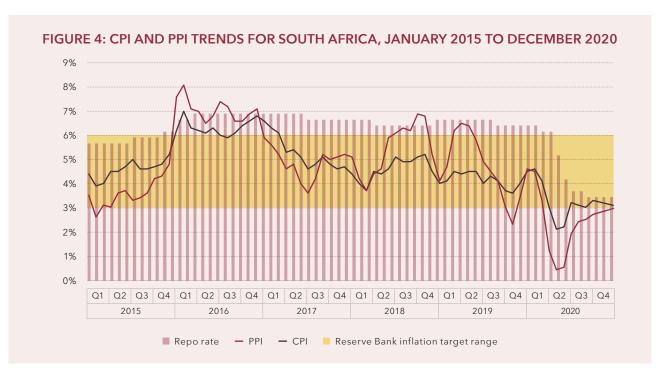
According to Statistics South Africa (2020), the main contributors to the overall CPI inflation rate for December 2020 included food and non-alcoholic beverages, housing and utilities, transport, and miscellaneous goods and services. According to the Monetary Policy Committee (MPC) statement of January 2021 (South African Reserve Bank [SARB], 2020a), headline CPI averaged 3,3% for the year 2020. This was in line with the SARB's expectation and is the lowest CPI rate since 2004. The MPC stated that overall risks remain balanced in the near- to medium term, further noting that despite local food price inflation being "higher", it is "expected to remain broadly contained". Although there is no specific demand-side pressure on inflation (at the time), the MPC is monitoring the rise in electricity and administrative price inflation, which continue to be of concern.

For the fourth quarter of 2020, the PPI increased to an average of 2,9% after averaging 2,3% in the previous quarter. The index recorded monthly readings of 2,7% in

October, increasing to 3,0% in November and December 2020. The main inflationary contributors to the PPI in December (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 remained at 3,5% for the fourth quarter of 2020. For the year 2020, the repo rate was cut five times, resulting in a total reduction of 300 basis points. According to the MPC statement of November 2020 (SARB, 2020b), the decision to keep the repo rate unchanged was made against the backdrop of a low inflation outlook, an increase in economic activity adjacent with the easing of lockdown restrictions and a slight recovery of the rand. The MPC noted that monetary policy is utilised to bring financial relief for households and firms in response to the Covid-19 impact and will continue to be accommodative as best possible.

According to the MPC statement of January 2021 (SARB, 2020a), the slight upward pressure on inflation indicated that the slow economic recovery will keep headline inflation controlled. The MPC statement, however, points to a possible increase in the reportate in the second and third quarters of 2021.



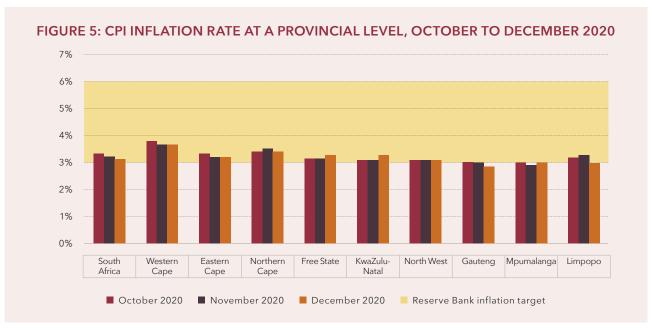
Source: CPI and PPI extracted from Statistics South Africa, 2020; repo rate extracted from SARB, 2020.



### **GEOGRAPHICAL INFLATION**

The Western Cape recorded an inflation rate of 3,7% at the end of the fourth quarter of 2020. This was slightly higher than the 3,6% at the end of the preceding quarter. The provincial inflation rate was also higher than the national rate of 3,1%. Figure 5 illustrates inflation rates recorded in the fourth quarter of 2020 across all nine provinces of the country. In comparison to the end of the third quarter of 2020, eight provinces experienced inflationary increases while Limpopo

remained unchanged. At the end of December, five provinces recorded inflation within the target range, while the rest remained slightly below the inflation target range of 3%. The Western Cape recorded the highest inflation rate for the fourth quarter, with an average of 3,8%, followed by the Northern Cape (3,5%) and Eastern Cape (3,4%). Mpumalanga (2,8%) recorded the lowest average inflation rate in the fourth quarter of 2020.

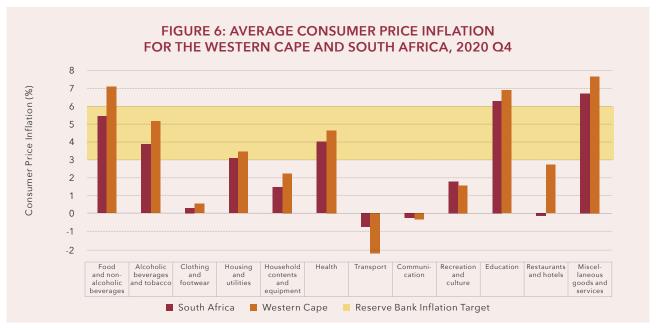


Source: Statistics South Africa, March 2021.

The largest difference recorded between the provincial and national CPI categories for the fourth quarter of 2020 was in the restaurant and hotels price inflation, which was recorded at 2,6% for the Western Cape and -0,3% nationally in December. Food and non-alcoholic beverages price inflation was higher at a provincial level in December (7,2%) compared to nationally (5,8%) with [its sub-category of] food price inflation being the main driver for the province (7,4% compared to 6% nationally in December). A notable difference between Western Cape and South Africa was also recorded in alcoholic beverages and tobacco price inflation (4,9% and 3,6% respectively), with [its sub-category of] tobacco price inflation (5,2% and 5,1% respectively) being the key driver for the province in

December 2020. Housing and utilities price inflation also recorded higher at the provincial level (3,2% in December) compared to nationally (2,7% in December).

As indicated in Figure 6, the education and miscellaneous goods and services categories recorded relatively high inflation rates throughout the fourth quarter for both the Western Cape (average of 6,9% and 7,6% respectively) and South Africa (6,3% and 6,7% respectively). In contrast, transport price inflation recorded negative figures throughout the fourth quarter of 2020 at both the provincial and national level, averaging -2,1% and -0,8% respectively. In both instances, this was driven by the prices of [its subcategory of] private transport operation: fuel.



Source: Statistics South Africa, December 2020.

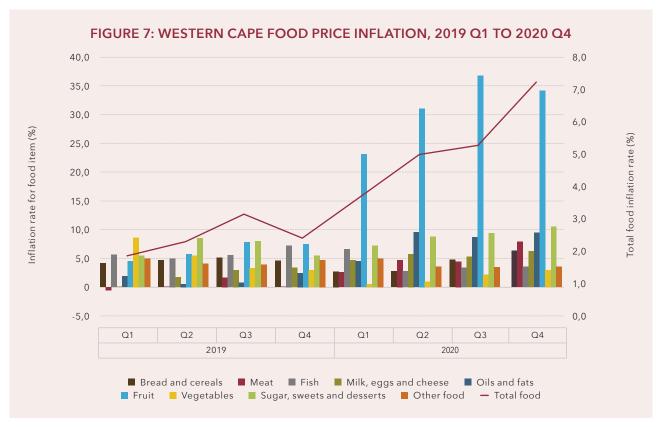
### WESTERN CAPE FOOD INFLATION

In light of Covid-19, tracking and monitoring food price changes have become increasingly important 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 7,2% in the fourth quarter of 2020 compared to 2,4% in the same period in 2019. The food items that demonstrated the highest average inflation rates in the fourth quarter of 2020 were: fruit (34,1%); sugar, sweets and desserts (10,5%); oils and fats (9,4%) and meat (7,9%), while vegetables recorded the lowest inflation rate (2,9%) for the quarter.

Increasing food prices, notably in the current economic climate of constrained economic activity and increased unemployment levels, may contribute to rising levels of food insecurity. The Wave 3 results of the NIDS-CRAM<sup>4</sup>, with its focus on the impact of the Covid-19 pandemic, have revealed that household hunger has increased across South Africa. According to the findings, one in five households reported weekly hunger as the rate increased from 16% in July/August 2020 to 18% in November/ December 2020 (van der Berg, et.al, 2021). Furthermore, the Integrated Food Security Phase Classification (IPC) released their preliminary results on the analysis of acute food insecurity<sup>5</sup> in South Africa. The report revealed that, between September and December 2020, 9,34 million

people in South Africa (16% of the population) faced high levels of acute food insecurity mainly driven by the Covid-19 pandemic and lockdown restrictions. Additional factors such as economic decline, unemployment, high food prices and the drought added to food insecurity. The report further revealed that, over the same period of analysis, out of the analysed population of 4 million in Cape Town, 600 000 people (15% of the population) faced high levels of acute food insecurity with one of the main drivers being the reduction in tourism activities due to the Covid-19 pandemic (IPC, 2021).

IPC projects that, in the first quarter of 2021, the impact of Covid-19 on food security will decrease as government lifts lockdown restrictions. However, Cape Town's population is expected to continue to face high levels of acute food insecurity in the first quarter of 2021, with a projected 616 000 people affected. Prices of food are likely to stabilise in the first quarter of 2021, however this period corresponds with the "lean season" in South Africa where households are typically faced with strained finances (IPC, 2021).



Source: Statistics South Africa, 2020.

<sup>&</sup>lt;sup>4</sup> The National Income Dynamics Study - Coronavirus Rapid Mobile Survey (NIDS-CRAM) is "a broadly nationally representative panel survey of South African individuals", with its questions covering "their income and employment, their household welfare, receipt of grants, and about their knowledge and behaviour related to Covid-19".

<sup>&</sup>lt;sup>5</sup> Acute food insecurity is defined as any manifestation of food insecurity found in a specified area at a specific point in time of a severity that threatens lives or livelihoods, or both, regardless of the causes, context or duration (IPC, 2021).





# 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 due to 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, Q3 and Q4 of 2020. However, the process has not been without challenges. Further details on the methodology can be reviewed in the official QLFS publication.

## CAPE TOWN'S LABOUR MARKET PERFORMANCE IN THE FOURTH 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 quarter-on-quarter but has decreased year-on-year, to a total of 1,97 million individuals. Employment improved on a quarter-on-quarter (by 35 035) basis, but also decreased year-on-year (by -148 069), recording a total of 1,45 million individuals. The increases in employment for the fourth quarter meant that the labour absorption rate increased to 48,1% from 46,9% in the previous quarter. Similarly, the labour force participation rate increased from 61,0% to 65,0% in the fourth quarter of 2020. Both rates, however, decreased when compared to the fourth quarter of 2019.

The number of discouraged work seekers decreased on a quarter-on-quarter basis (by -2 830) and increased year-on-year (by 7 602), to a total of 28 472 individuals in the fourth quarter of 2020. The decreases recorded in the discouraged work seekers and other non-searching unemployed category in the fourth quarter, resulted in an overall decrease in the broad unemployment rate to 29,0% from 29,1% in the previous quarter. At 29,0%, Cape Town's broad unemployment rate remained lower than any of the other metros in South Africa.

**TABLE 1: CAPE TOWN LABOUR MARKET INDICATORS** 

METRO	RECORDED			QUARTER- ON-QUARTER CHANGE	YEAR-ON-YEAR CHANGE
	2020 Q4	2020 Q3	2019 Q4	(vs 2020 Q3)	(vs 2019 Q4)
Working-age population	3 023 418	3 021 552	2 980 978	1 866	42 440
Labour force (strict)	1 965 054	1 843 541	2 070 062	121 513	- 105 008
Employed: Total	1 453 191	1 418 157	1 601 260	35 035	-148 069
Employed: Formal sector	1 213 714	1 177 638	1 309 253	36 075	-95 539
Employed: Informal sector	150 008	151 652	188 065	-1 644	-38 057
Unemployed (strict)	511 863	425 385	468 802	86 478	43 061
Not economically active	1 058 364	1 178 011	910 917	-119 647	147 447
Discouraged work seekers	28 472	31 302	20 870	-2 830	7 602
Other not economically active	1 029 891	1 146 708	890 047	-116 817	139 845

Source: Statistics South Africa, Quarterly Labour Force Survey, 2020 Quarter 4, February 2021.

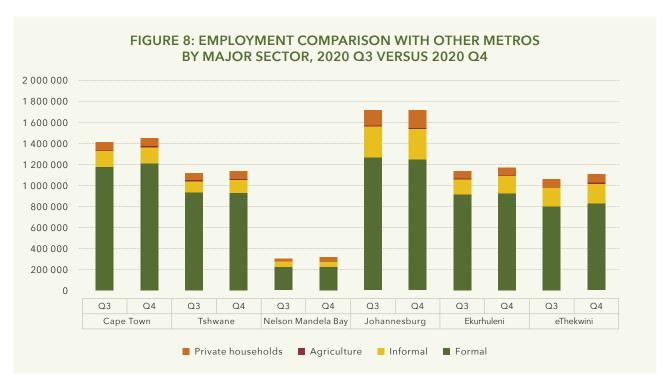
# **EMPLOYMENT COMPARISON OF METROS**

When measuring Cape Town's job creation performance, a comparison with other metropolitan municipalities (metros)<sup>6</sup> in the country is helpful. In the fourth quarter of 2020, Cape Town continued to have the second largest number of employed people, at 1,45 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, all six of the country's metros recorded increases in total employment in the fourth quarter when compared to the third quarter of 2020. This improvement is largely attributed to the easing of Covid-19 lockdown regulations that allowed for increased economic activity. eThekwini added the most to employment (48 842 jobs added) followed by Ekurhuleni and Cape Town (36 998 and 35 035 jobs added)

respectively). eThekwini and Cape Town's employment was largely driven by formal employment (29 882 and 36 075 jobs added respectively), while Ekurhuleni's employment was driven by informal employment (21 607 jobs added).

Formal employment in Cape Town increased on a quarter-on-quarter basis (by 36 075 jobs) and decreased on a year-on-year basis (by 95 539 jobs) to a total of 1,21 million individuals. Unfortunately, informal employment (150 008 individuals) decreased at both a quarter-on-quarter (by 1 644 jobs) and year-on-year (by 38 057 jobs) level. Employment gains (603 in total) were recorded in private households and agriculture categories for the fourth quarter.



Source: Statistics South Africa, Quarterly Labour Force Survey, 2020 Quarter 4, February 2021.

<sup>&</sup>lt;sup>6</sup> This comparison does not include all South African metro cities.

# UNEMPLOYMENT IN CAPE TOWN

Unlike the unique challenges that faced the labour market in the second 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 (searching) unemployed people in Cape Town increased on both a quarter-on-quarter (by 86 478) and year-on-year basis (by 43 061), to record a total of 511 863 individuals at the end of the fourth quarter of 2020. The increase recorded in employment was outweighed by the increase recorded in unemployment. This resulted in a higher strict unemployment rate (26,0%) when compared to the previous quarter (23,1%). This is Cape Town's highest recording for its strict unemployment rate since the start of the QLFS in 2008.

The youth unemployment rate in Cape Town, defined as the strict unemployment rate for individuals aged 15 to 24, was estimated at 52,2% in the fourth quarter of 2020, having increased from 49,5% in the previous quarter. On a year-on-year basis, youth unemployment increased from the 46% recorded in the same period of 2019. While this remains below the national youth unemployment rate of 63,2% (increasing from 61,3% 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 2). On a quarter-on-quarter basis, eThekwini had the lowest strict unemployment rate (20,6% increasing from the previous 14%), while Cape Town had the lowest expanded unemployment rate of 29,0% (down from the previous 29,1%) when compared to all the other metros.

TABLE 2: UNEMPLOYMENT RATE COMPARISON OF METROS, 2020 Q4 VERSUS 2020 Q3 AND 2019 Q4

METRO	OFFICIAL (STRICT)			EXPANDED (BROAD)		
	2020 Q4	2020 Q3	2019 Q4	2020 Q4	2020 Q3	2019 Q4
Cape Town	26,0%	23,1%	22,6%	29,0%	29,1%	24,8%
eThekwini	20,6%	14,0%	20,9%	33,7%	37,1%	30,5%
Ekurhuleni	32,6%	32,3%	31,8%	39,3%	39,5%	35,7%
Johannesburg	35,1%	33,5%	32,7%	41,1%	40,9%	35,0%
Nelson Mandela Bay	42,3%	40,5%	34,1%	42,6%	41,0%	35,3%
Tshwane	37,0%	38,7%	27,5%	40,3%	41,7%	33,1%

Source: Statistics South Africa, Quarterly Labour Force Survey, 2020 Quarter 4, February 2021.

Five of the six metros experienced an increase in their strict unemployment rate when compared to the previous quarter. Tshwane was the only metro to record a decrease in its strict unemployment rate when compared to the third quarter (37,0% down from a previous 38,7%). eThekwini recorded the highest increase of 6,6 percentage points for this quarter.

Nelson Mandela Bay (42,6% up from a previous 41,0%) and Johannesburg (41,1% up from a previous 40,9%) were the only metros to record increases in their broad unemployment rates. Cape Town recorded an increase in its strict unemployment rate (up by 3 percentage points to 26,0%) and a decrease in its broad rate (down by 0,1 of a percentage point to 29,0%). Nelson Mandela Bay

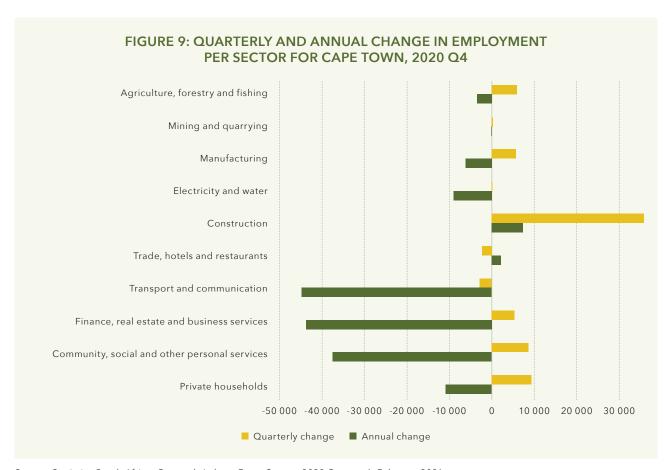
recorded the lowest difference (of 0,3 of a percentage point) between its two rates of unemployment. eThekwini recorded a 13,1 percentage point difference, the largest of all the metros. Cape Town had a difference of 3,0 percentage points (second lowest) between the two rates of unemployment, which can be attributed to the city having a relatively smaller number of discouraged work seekers than the rest of the metros.

# SECTOR EMPLOYMENT TRENDS FOR CAPE TOWN

Figure 9 presents the change in the level of employment by sector in Cape Town in the fourth quarter of 2020. Eight sectors added positively and two negatively to employment growth on a quarter-on-quarter basis. The construction sector contributed the most to employment growth (36 235 jobs) followed by private households (9 472 jobs), as well as community, social and other personal services (8 677 jobs) sectors. Significant contributions to employment growth were also recorded in the agriculture, forestry and fishing; manufacturing; and finance, real estate and business services sectors (up by 5 972; 5 772 and 5 407 jobs respectively).

In contrast, the transport and communication sector recorded the largest decrease of 2 866 jobs, followed by the trade, hotels and restaurants sector (down by 2 393 jobs) when compared to the third quarter of 2020. On a year-on-year basis, construction and trade, hotels and restaurants were the only sectors to add positively to

employment by 7 403 and 2 142 jobs respectively. In contrast, eight sectors displayed negative employment growth when compared to the same period in 2019. Similar to its quarterly performance, the transport and communication sector recorded the largest year-on-year decrease of 45 354 jobs. This was followed by the finance, real estate and business services sector (-44 380 jobs) and the social and other personal services sector (-37 932 jobs). Meaningful declines were also noted within the private households (-10 971 jobs), electricity and water (-9 087 jobs), as well as manufacturing (-6 240 jobs) sectors. Negative year-on-year recordings were also reflected in the agriculture, forestry and fishing (-3 502 jobs) and mining and quarrying (-147 jobs) sectors.



Source: Statistics South Africa, Quarterly Labour Force Survey, 2020 Quarter 4, February 2021.





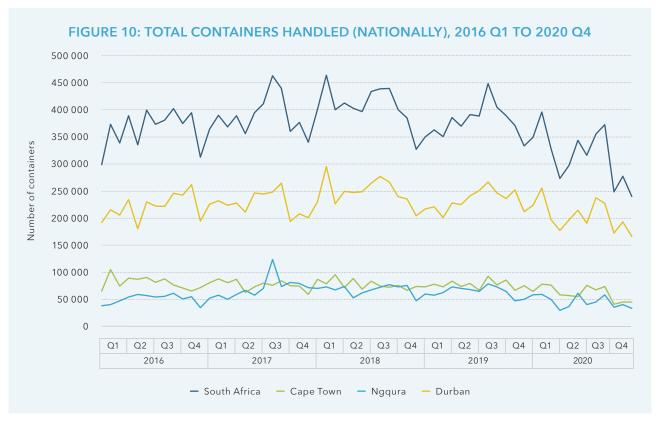
# INFRASTRUCTUR AND TRAD

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

# **CONTAINER TRAFFIC**

Container traffic demonstrates an erratic trend, as shown by figure 10. As a result, it is best to compare total containers handled, as measured in twenty-foot equivalent units (TEUs)<sup>7</sup>, over the period of a year. In the fourth quarter of 2020, the Port of Durban<sup>8</sup> remained the largest

container handling port in South Africa, handling a total of 525 418 TEUs, which accounted for 69,0% of all containers handled in the country. It was followed by the Port of Cape Town (16,1%) and the Port of Nggura<sup>9</sup> (13,3%).



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

As shown in Table 3, the total number of containers handled at South African ports declined year-on-year. Containers handled nationally decreased by 30,1%, from 1 089 305 TEUs in the fourth quarter of 2019 to 761 147 TEUs in the fourth quarter of 2020. The Port of Cape Town experienced a decrease from 218 187 TEUs in the fourth quarter of 2019 to 122 833 TEUs in the fourth

quarter of 2020, reflecting the largest year-on-year decrease (43,7%) of all the ports. The Port of Durban recorded a decline of 24,2% in containers handled, while the Port of Ngqura recorded a decrease of 33,7% when compared to the fourth quarter of 2019.

<sup>&</sup>lt;sup>7</sup> 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.

<sup>8</sup> The Port of Durban is located in the eThekwini metro municipality.

<sup>&</sup>lt;sup>9</sup> The Port of Ngqura is located in the Nelson Mandela Bay metro municipality.

TABLE 3: COMPARISON OF TOTAL CONTAINERS HANDLED (IN TEUS)

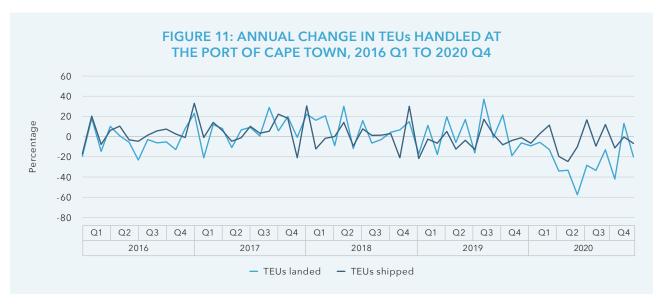
	2020 Q4	2020 Q3	2019 Q4	YEAR-ON-YEAR CHANGE
South Africa	761 147	1 039 183	1 089 305	-30,1%
Cape Town	122 833	206 699	218 187	-43,7%
Durban	101 256	135 749	152 722	-33,7%
Ngqura	525 418	648 655	693 399	-24,2%

Source: Transnet National Ports Authority (TNPA), February 2021.

Despite increased container ship port calls across the world in the previous quarter, a second wave of the Covid-19 pandemic discouraged the sustained recovery in port volumes. Figure 11 illustrates TEUs landed and TEUs shipped at the Port of Cape Town, reflecting imports and exports respectively. The Port of Cape Town recorded a year-on-year decrease of 20,8% in TEUs landed, from 79 378 TEUs in the fourth quarter of 2019

to 62 898 TEUs in the fourth quarter of 2020. In addition, TEUs shipped were negatively impacted as the number of TEUs shipped recorded a decline of 7,7%, from 64 909 TEUs in the fourth quarter of 2019 to 59 935 TEUs in the fourth quarter of 2020.





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

Despite the challenges associated with the Covid-19 pandemic, some key successes have been achieved at the Port of Cape Town. These include the acquisition of essential terminal equipment, the repair of malfunctioning refrigerator container plug points and the development of an ongoing maintenance plan (Hellenic Shipping News, 2021).

As part of its renewed commitment to creating a worldclass and competitive port, TNPA announced that it would switch its container transport strategy at the Port of Cape Town from road to rail in a bid to ease traffic congestion and improve efficiency at this port. As an example, while an individual truck can carry one reefer¹0 container per trip, one train has the capacity to carry up to 36 containers per trip. This initiative is a response to both community and customer concerns over traffic in the area. The aim is to provide the necessary congestion relief and improve the supply chain at the port by transporting goods to the port more efficiently, and reduce the cost of doing business (Arnoldi, 2021).

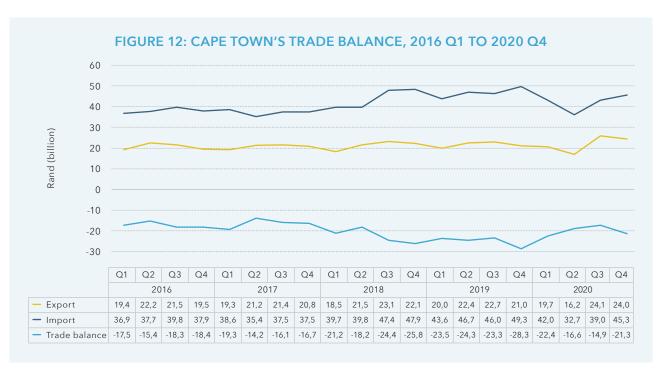
 $<sup>^{\</sup>rm 10}$  A 'reefer' or reefer container is a refrigerated shipping container.

# **CAPE TOWN TRADE**

Quarter 4 trade saw a slight improvement in Cape Town's imports, but a decline in exports as illustrated in Figure 12, which shows the quarterly trade balance for Cape Town. From the third quarter of 2020 to the fourth quarter, exports decreased by 5,9% to R24 billion, while imports increased by 5,5% to R45,3 billion. Although exports declined in the fourth quarter of 2020, this was off a high base in quarter 3 due to bumper citrus exports. Cape Town exports, on the whole,

have recovered well since the lockdown in the second quarter, in spite of the rand strengthening further in fourth quarter.

Contrary to the quarter-on-quarter directional changes, the value of exports, when compared to the same period in 2019, increased by 14,4%, while the value of imports decreased by 8,1% year-on-year.



Source: Quantec, 2020.

The top 10 exports for Cape Town in the fourth quarter of 2020, accounting for 36,6% of total exports, are shown in Table 4 on the following page. When compared to the fourth quarter of 2019, the largest year-on-year decline in export value is observed for refined petroleum oil (-62,4%), even though oil prices were slowly recovering. The petroleum price increases may have contributed to the large value increase in crude petroleum oil exports. Cape Town exported some crude petroleum to India that it had imported from Nigeria, Saudi Arabia and Brazil. Crude petroleum was the highest value import into Cape Town in the fourth quarter of 2020, with a value of R7,6 billion.

An easing of some supply chain disruptions and increased demand for luxury items resulted in most export categories in the top 10 recording (positive) year-on-year growth. These growth categories included yachts or pleasure vessels, which recorded an increase of 113,7%, antiques, which increased by of 93,0%, and jewellery made from precious metals, which increased by 89,0%. Due to the unique change in demand patterns, some products that are usually positioned in the top 10 exports, such as wine (-16,4%) and tobacco (-24,7%), saw a decline when compared to the fourth quarter of 2019.

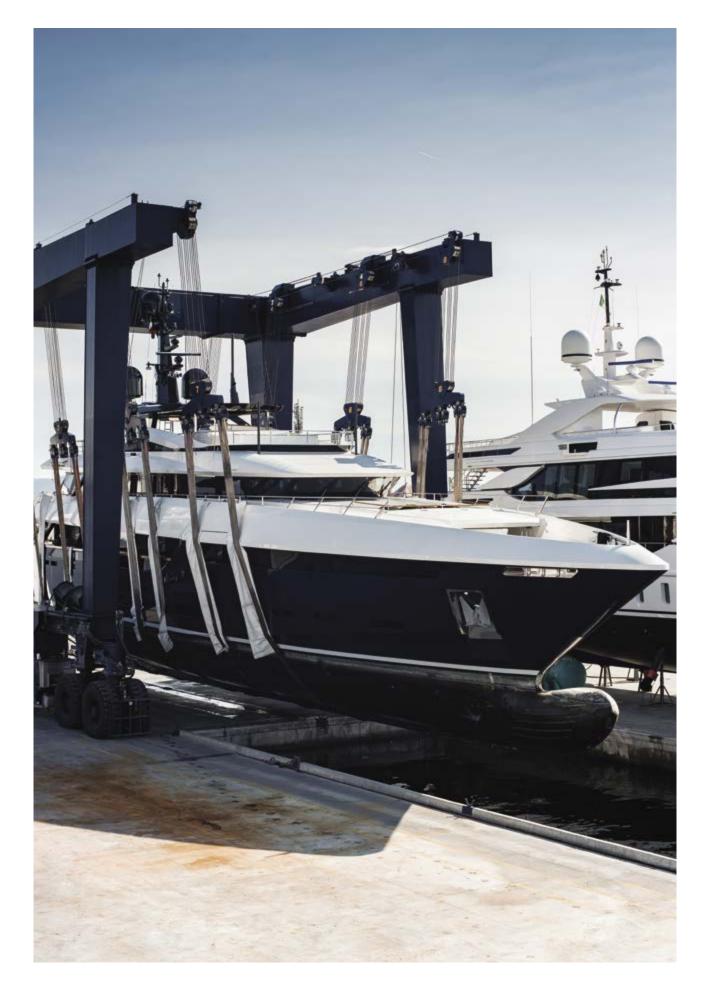


TABLE 4: CAPE TOWN'S TOP 10 EXPORTS, 2020 Q4

CAPE TOWN'S TOP EXPORT CATEGORIES FOR 2020 Q4 (HS 4) <sup>11</sup>	ZAR MILLION	% OF TOTAL EXPORTS	YEAR-ON-YEAR GROWTH, 2020 Q4
Refined petroleum oils	R1 715,6	7,1%	-62,4%
Antiques	R1 435,2	6,0%	93,0%
Crude petroleum oils	R1295,5	5,4%	24 175,6%
Yachts and pleasure vessels	R888,9	3,7%	113,7%
Jewellery with precious metal	R694,7	2,9%	89,0%
Beauty and make-up	R619,9	2,6%	80,7%
Grapes	R608,7	2,5%	-15,5%
Apples and pears	R527,5	2,2%	25,1%
Fish fillets	R506,9	2,1%	20,3%
Engine parts	R490,1	2,0%	-9,2%
Total of top 10 export categories	R8 783,1	36,6%	-
Total of ALL products	R24 000,7	100,0%	14,4%

Source: Quantec, own calculations, February 2021. Note: Only the top 10 exports at an HS4 level are shown in the table above.

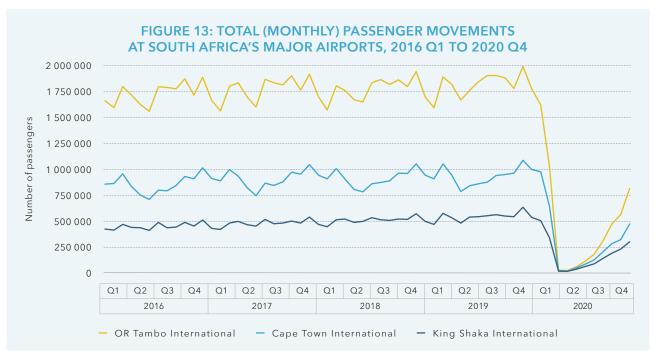
<sup>&</sup>lt;sup>11</sup> At the international level, the Harmonized System is a six-digit code system for the classification of products; it allows for the trading of goods on a common basis for customs purposes.

# **AIRPORT STATISTICS**

Cape Town International Airport is South Africa's secondbusiest airport, after OR Tambo International Airport in Johannesburg. It recorded record-low passenger numbers in the second quarter of 2020 (an average decline of 98,4% guarter-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. However, in the third quarter, air passenger numbers started to pick up when local lockdown restrictions began to ease, thereby allowing for greater mobility across provinces. With further easing of restrictions, specifically in relation to international travellers (Ramaphosa, 2020a), passenger numbers continued to improve in the fourth quarter of 2020. Cape Town International recorded 665 372 total passenger movements (arrivals and departures) in the fourth quarter, while OR Tambo International recorded

1 255 150 passenger movements, and King Shaka International 428 816 passenger movements during the same period.

To account for seasonal trends, passenger statistics are best analysed at a year-on-year level. Despite the increased air travel throughout the fourth quarter of 2020, at a year-on-year level total passenger movements remain significantly low. When compared to the same period in 2019, total passenger movements at Cape Town International decreased by 65,1%. OR Tambo International and King Shaka International mirrored this trend, recording year-on-year declines of 67,8% and 60,0% respectively. Despite this, the year-on-year performance has improved from the recordings of the previous quarter, indicating continued recovery.



Source: Airports Company South Africa, November 2020.

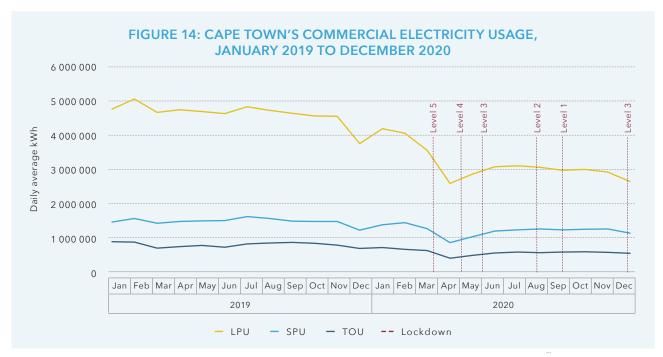
The significant year-on-year declines are not only indicative of international travel constraints and the associated higher costs, such as mandatory Covid-19 tests or self-isolation periods, but also the strain placed on travel and tourism activities due to public fears of contracting Covid-19. As South Africa's international travel restrictions were further eased during the fourth

quarter of 2020 (Ramaphosa, 2020a), the type of arrivals illustrated slight changes. While still considerably low in comparison to the same period in 2019 (30,7%), international arrivals constituted 13,0% of total arrivals across the three international airports in the fourth quarter of 2020.

# 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 through the remainder of 2020, including moving to lockdown level 1 in the fourth quarter, commercial electricity consumption was generally flat between July and November 2020. There was, however, a decrease in consumption in December 2020, as illustrated in figure 14.



Source: Electricity Generation and Distribution, CCT, February 2021.

Daily average consumption of electricity by LPUs, SPUs, and TOU customers from October to December 2020 was generally lower than in the corresponding period in 2019. However, month-on-month consumption by commercial customers changed marginally in October and November 2020, before dipping in December 2020. In October 2020, consumption by LPUs, SPUs, and TOU customers increased by 1,0%, 0,9% and 1,5% respectively. Trends in electricity consumption in November 2020 were mixed. While consumption by LPUs and TOU customers decreased by 2,5% and 2,8% respectively, consumption by SPUs increased by 0,7%. These mixed trends in electricity consumption, despite the progressive easing of lockdown restrictions, could be pointing to the systemic negative impact the pandemic and lockdown has had on businesses. Some may have scaled down operations, while others may have had to close down permanently.

As expected, there was a decrease in commercial electricity consumption by the end of the fourth quarter of 2020. In December declines in consumption were recorded by LPUs, SPUs, and TOU customers (9,3%, 8,6% and 4,2% respectively). Some businesses, including those in the manufacturing sector, generally close over the festive season resulting in reduced demand for electricity. When compared to 2019, demand remains subdued; daily average consumption of electricity by LPUs, SPUs, and TOU customers in December 2020 declined by 28,8%, 6,2% and 17,9% respectively, when compared to December 2019. Although lockdown restrictions were tightened on 29 December 2020 as the country entered its second wave of the Covid-19 pandemic, this would have had limited impact on electricity consumption for the fourth quarter.





Owing to its unique location and geology, Cape Town is one of the most scenic and recognisable cities in the World. The City boasts an abundance of world class attractions, principal among which is one of the New 7 Wonders of Nature. The combination of scenic appeal, excellent service standards and a well-developed hospitality sector, underpins a robust tourism industry within the city. This industry is vitally important for the local economy, not just because of its role in job creation - being one of the most labour intensive industries in Cape Town - but also for its catalytic influence on other industries such as the real estate sector, creative industry and transport sector.

# **TOURISM**

Cape Town is a well-known domestic and international tourist destination, and the city's tourism sector is a valuable contributor to the local and national economy. 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, however, was limited to intra-provincial private self-drive excursions and guided tours (South African Government, 2020b). 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 (South African Government, 2020c), as well as the partial reopening of borders and notably the resumption of international travel from 12 November 2020 (Ramaphosa, 2020a).

In an attempt to quantify, and provide insight into, the travel behaviour of South Africans during the December 2020 festive season, Cape Town Tourism conducted a survey from 21 to 28 December  $2020^{12}$ . The resultant report titled Project Festive: South African Domestic Consumer Research (Cape Town Tourism [CTT], 2020a) highlights the reality that despite the easing of restrictions, tourism activity remains muted. According to the surveyed respondents, only 40% had intended undertaking any leisure travel during the 2020/21 festive season. Amongst the remaining 'non-travellers', concern about the risk of Covid-19, as well as financial constraints, were largely noted as the underlying reasons for their choice. Of those intending to travel, only 1% were planning trips beyond South Africa's borders. This was further split in terms of international destinations, with 70% favouring travel on the African continent. According to Cape Town Tourism, the low level of international travel could be linked to constrained finances, a desire to limit Covid-19 risk, as well as caution surrounding "constant changes to travel regulations" which may result in further financial impacts. The report findings also noted low spending budgets, specifically for accommodation.

Following a complete shutdown in the second quarter of 2020, all of Cape Town's five major tourist attractions reopened to the public during the third quarter.<sup>13</sup> While visitor numbers remain significantly lower when compared to the same period in 2019 (-73,1%), all five attractions recorded quarter-on-quarter increases in the fourth quarter of 2020. Kirstenbosch National Botanical Gardens recorded 167 497 visits in the fourth quarter, and also

the lowest negative year-on-year performance (-39,8%) of the five attractions. With its first full quarter of operation since the lockdown, Boulders Beach recorded the highest quarter-on-quarter improvement in the fourth quarter. Its total visitor numbers (34 429) over the quarter were especially boosted by a sharp increase in December. The Table Mountain Aerial Cableway and Cape of Good Hope recorded 78 517 and 65 954 visits, respectively, in the fourth quarter, translating to a steady improvement in year-on-year performance of -78,1% and -80,6% compared to -80,7% and 92,4% recorded in the previous quarter. Despite an increase to 10 312 visits in the fourth quarter of 2020, Robben Island recorded the worst year-on-year performance, which may be partly attributable to limited international tourists.

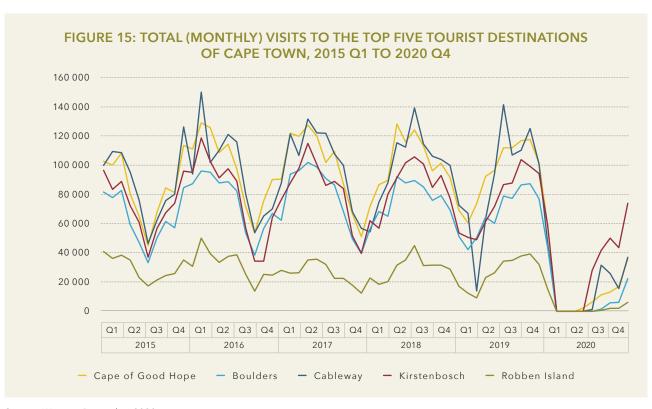
While consumer spending may remain subdued as a result of the constrained economic climate and the associated uncertainty, the significant year-on-year declines are mainly indicative of an absent international tourist market. As reported by Cape Town Tourism (2020b), industry sentiment remains that a sustained recovery largely depends on the reopening of the country's borders and the return of international tourists.

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. Following the shock to the sector of complete closure in the second quarter of 2020, the fourth quarter's performance remains dampened, but is showing signs of a slow, steady recovery.

<sup>&</sup>lt;sup>12</sup> As the online quantitative survey was specifically deployed in relation to lockdown level 1, the survey was decidedly stopped on 28 December 2020 prior to the shift to lockdown level 3 (CTT, 2020).

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





Source: Wesgro, December 2020.





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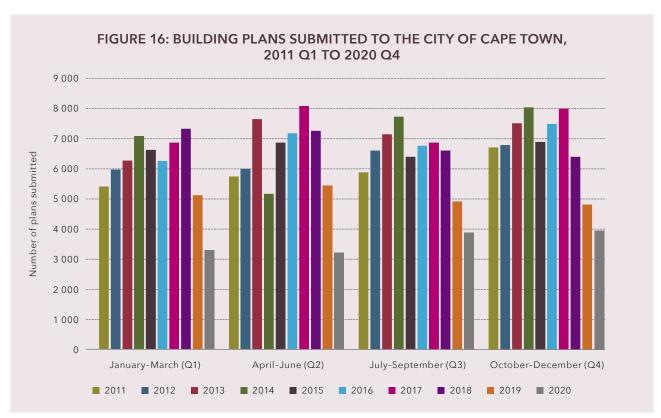
In addition to macroeconomic indicators, administrative data reveal specific consumer trends and provide strong indications of the performance of the local economy. In particular, building plan statistics and property development are key indicators of the levels of confidence in the economy, while passenger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

# **BUILDING DEVELOPMENTS**

The economic growth data for the fourth quarter of 2020 show that national output in the construction industry grew by 11,2% quarter-on-quarter, thus sustaining its recovery recorded in the previous quarter. On a year-on-year basis, however, the sector recorded its 15th consecutive contraction (-19,5%). The Western Cape's construction industry mirrored these national trends, recording quarter-on-quarter growth of 8,7% while contracting by 20,6% on a year-on-year basis in the fourth quarter of 2020. Notably, the year-on-year performance of the construction sector at both the national and provincial level is steadily improving (Quantec, 2020).

After reaching an all-time low of 4 index points in the second quarter of 2020, the First National Bank (FNB)/BER Building Confidence Index<sup>14</sup> continued to improve in the fourth quarter (by 5 index points), recording 29 index points. According to the BER (2020c), the continued recovery is due to improved domestic demand, specifically in the residential market, while the non-residential market recorded further deterioration.

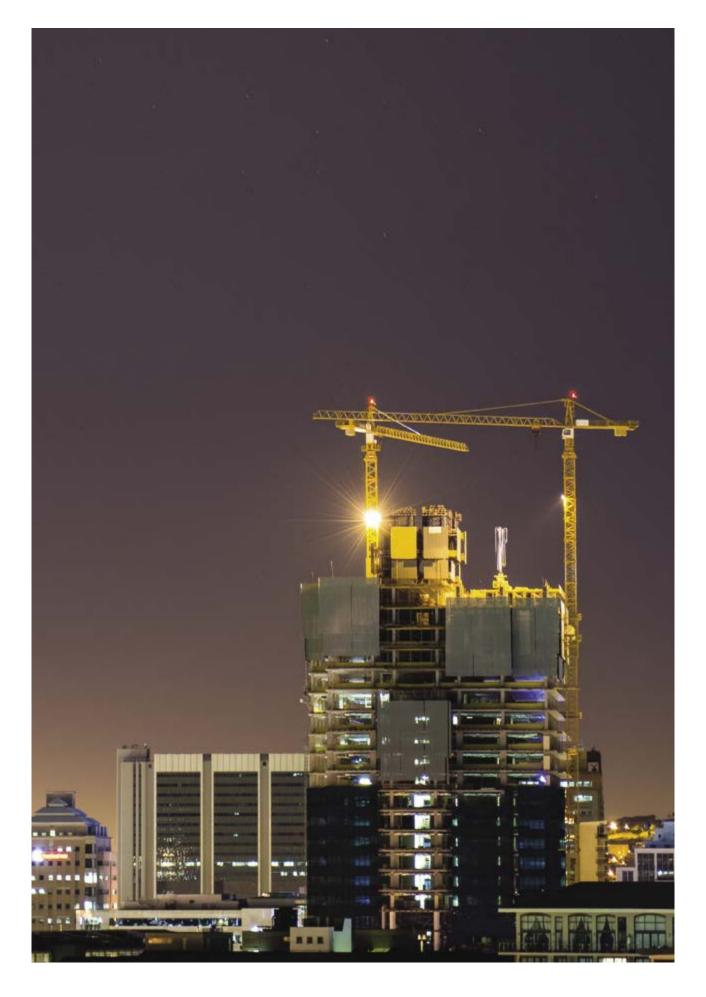
The sustained demand is also evident in the number of building plans submitted to the City for approval, which totalled 3 913 in the fourth quarter of 2020, a slight increase of 1,3% from the previous quarter. Figure 16 provides an annual comparison of the number of building plans submitted in each of 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 18,6% in the fourth quarter of 2020, which represents a continuation of the declining annual trend, albeit with some improvement quarteron-quarter. This reflects the current lack of confidence in the industry and mirrors the findings of the FNB/BER Civil Confidence Index, 15 which remains considerably low at 16 index points for the fourth quarter of 2020, an increase of only 5 index points on the previous quarter (BER, 2020d).

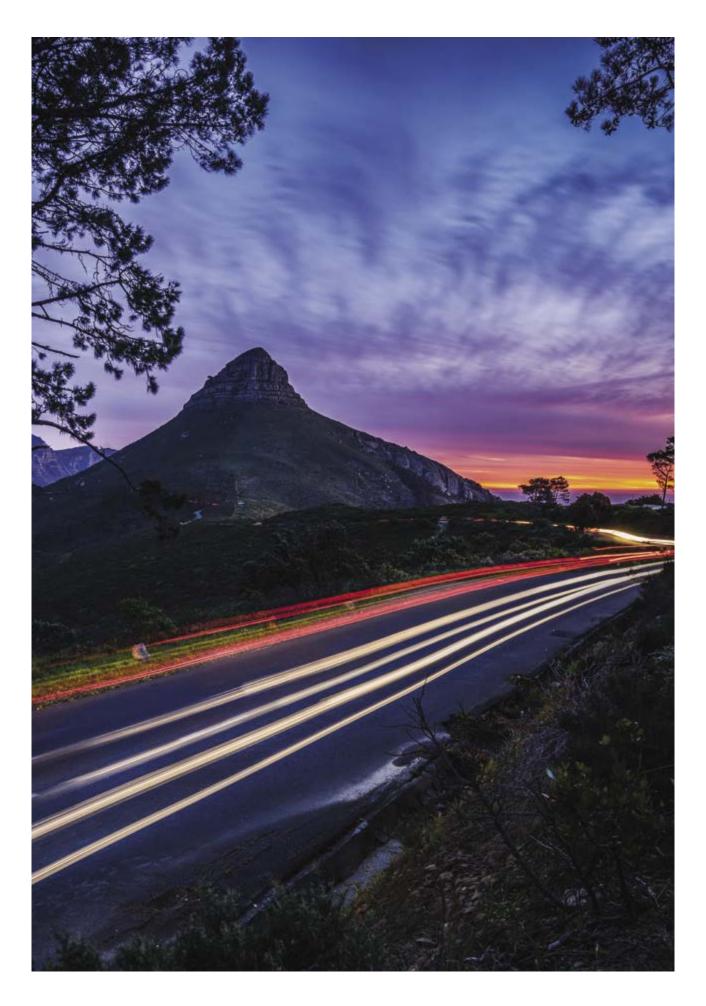


Source: Planning and Building Development Management Department, CCT, February 2021.

<sup>14</sup> 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.

<sup>&</sup>lt;sup>15</sup> 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 continue to demonstrate a gradual recovery, recording 12 259 sales in the fourth quarter of 2020 and edging closer to prelockdown levels, after recording 10 734 sales in the third quarter. However, on a year-on-year basis, vehicle sales experienced a decrease of 14,1% (2 014 units) from 14 273 vehicles sold in the same period of 2019, suggesting that the market remains stagnant. Passenger vehicle sales in the Western Cape, which represents the private consumer segment of the market, increased from 6 902 vehicles in the third quarter of 2020 to 8 321 vehicles in the fourth quarter of 2020. The year-on-year results showed a decrease of 14,1% (1 369 units) from the 9 690 vehicles sold in the fourth quarter of 2019. At a national level, passenger vehicle sales reported a year-on-year decrease of 20,7% (19 587 units), declining from 94 666 units in the fourth quarter of 2019 to 75 079 units in the fourth quarter of 2020. The national and provincial passenger vehicle sales figures point to a market that remains under pressure despite the quarter-on-quarter improvement.

The automotive industry remains depressed as the impact of the pandemic lingers, despite relief mechanisms such as reductions in the interest rate totalling 300 basis points during the 2020 year. This can be attributed to the negative consumer sentiments as consumers remain uncertain about the future as the Covid-19 pandemic and lockdown persist. The consumer confidence index increased by 11 index points from the previous quarter to a level of -12 index points¹6 in the fourth quarter of 2020. All three of the index's sub-indices recorded notable improvements, with the economic outlook sub-index rebounding to nearly the same level as in the fourth quarter of 2019. Time-to-buy durable goods improved by 14 index points to -30 index points¹7 which means consumers will likely continue to delay big purchases including vehicle purchases (BER, 2020e).

TransUnion's Vehicle Pricing Index (VPI) report has revealed that new and used passenger finance deals experienced a year-on-year decline of 14,8% and 6,2% in the fourth quarter, respectively. The used-to-new ratio remained consistent at 2,3 indicating that consumers are still opting for older vehicles as pressure on disposable income intensifies (Reddy, 2021). The VPI for new and used vehicle pricing increased to 9,6% and 2,9%, respectively, in the fourth quarter of 2020, up from 2,9% and 1,2%, respectively, in the fourth quarter of 2019. This translates to prices for new vehicles rising above inflation despite the low volume sales, while used vehicle price increases are still trending below inflation of 3,3% and thus appear attractive to consumers (Reddy, 2021).

The outlook for the local automotive industry remains bleak as the new vehicle market is likely to continue facing severe challenges of slow demand, rand exchange rate volatility and negative business and consumer confidence during the first quarter of 2021 (National Association of Automobile Manufacturers of South Africa [NAAMSA], 2021). NAAMSA does, however, project a year-on-year improvement of approximately 15% in total new vehicle sales volumes for 2021 (NAAMSA, 2021). While noting persistent constraints, WesBank predicts a year-on-year growth rate of 12% in new vehicle sales in 2021 (Venter, 2021). WesBank also forecasts a continued buy-down trend where customers are buying more affordable vehicles and increasingly shifting towards the used-car market driven by the increase in new-car vehicle prices and stock shortages as a result of the Covid-19 pandemic (Venter, 2021). Furthermore, the digital shift in the industry that relates to the use of online tools to sell vehicles to the "new" customer is set to change the buying cycle in the automotive industry (Reddy, 2021).

<sup>&</sup>lt;sup>16</sup> The Consumer Confidence Index can, theoretically, vary between -100 and 100 (BER, 2020g).

<sup>&</sup>lt;sup>17</sup> 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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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

 ${\it Manufacturers}\ of\ South\ Africa$ 

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



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