CITY OF CAPE TOWN
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Economic Performance Indicators for Cape Town

2021 QUARTER 2
(April–June)

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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 second quarter of 2021, covering the period 1 April to 30 June 2021.

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

Manager: Economic Analysis:
Paul Court

Project manager and author:
Dilshaad Gallie

Additional authors:
Monique Petersen
Yoliswa Tiwe
Jodie Posen
Alfred Moyo

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

Manager: Place Marketing:
Rory Viljoen

Project manager:
Tarryn Voigt-Mallum

Success stories:
HelloFCB
David Derbyshire
Caryn Jeftha

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:
Lizanne Ryneveldt
Marius Crous

City of Cape Town Electricity Generation and Distribution:
Cornie Malan

FOREWORD

The second quarter of 2021 saw South Africa remain in the unwanted grip of the Covid-19 pandemic that has contributed to the country's economic downturn. The combination of load-shedding and the emergence of the Covid-19 Delta variant, which brought on a third wave in June, added to the country's challenges.

Despite these difficulties, Cape Town remained resilient, as evidenced by its continued status as the metro with the lowest unemployment rate, on the expanded definition.

I believe that this employment resilience can largely be attributed to the programmes initiated by the City aimed at helping unemployed Capetonians to source job and training opportunities.

I believe that this employment resilience can largely be attributed to the programmes initiated by the City aimed at helping unemployed Capetonians to source job and training opportunities. One such platform that was launched in April 2021, is the Jobs Connect Workforce Development Programme. The programme has two distinct purposes: to link businesses, particularly SMMEs and corporates, to the appropriate talent, and to provide easily accessible knowledge, training and employment opportunities to job seekers across the city.

The official launch of BlueCape, our strategic business partner in the boat-building sector, also took place in April. BlueCape has a mission to maximise the economic contribution of the ocean economy for the city. Cape Town is poised for a boom in this industry, as evidenced by the findings of the Boat Building Global Market Report 2021, which forecast that Africa will be the second-fastest-growing boat-building region in the world over the next four years.

Prioritising targeted sector intervention in this way has proven to be an effective strategy in attracting investments and creating jobs. In fact, working on the ground in specific sectors helped the provincial economy to grow by 4,0% in the second quarter.

Economic activity in the metro was further buoyed by the protection that the City provided to Cape Town residents against the full impact of Eskom load-shedding. This was achieved by supplementing Eskom energy provision with the Steenbras hydro pump station, which is operated and maintained by the municipality.

Unfortunately, nationwide lockdowns – which had been stepped up by the end of May – continued to put a damper on tourism activity in the province, resulting in a quarterly drop of 13,5% in visitors to Cape Town's top five tourist attractions.

As part of our efforts to help the tourism industry recover, we recognise that we must stay ahead of trends and consider strategies that will bring more tourists to the city who desire a greater variety of experiences. Aligned to this understanding, the City has launched a campaign urging the national government to roll out a remote worker visa for South Africa. Cape Town is already a preferred destination for many travelling professionals from across the globe, and a visa that prioritises their needs, while at the same time safeguarding employment prospects for locals, would go a long way towards enticing many more of these so-called digital nomads to our shores. This, in turn, would provide a much-needed revenue injection into local economies.

Prior to the third wave in June, when airlines cancelled domestic flights, Cape Town International Airport witnessed a healthy increase in passenger volumes of 27,6% over the first quarter.

Aviation remains a crucial driver of economic growth, with data showing that Cape Town International Airport helped funnel just under R14 billion into the city in 2019, while also supporting more than 28 000 direct, indirect and induced jobs.

Looking ahead, my team and I remain committed to helping to drive the recovery of Cape Town's economy following an extended and extraordinary period of extreme challenges.

Ultimately, we recognise that, behind all the statistics and surveys, people feel the economic repercussions and the main impacts of Covid-19. Every job statistic relates to a real person, with real responsibilities, a real family to support and real bills to pay. Ergo, every opportunity created is a means of ensuring that a real person is able to meet those responsibilities, and have their sense of self-worth and dignity restored.

So, while the future may still appear uncertain, the City remains committed to using the tools at its disposal to recover and rebuild, so that together, we can emerge from the challenges of the past two years stronger and more resilient than ever before.

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

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INTRODUCTION

This is the 33rd edition of the EPIC publication, which presents and analyses economic (and related) trends in Cape Town on a quarterly basis.

In the second quarter of 2021, economic growth for both South Africa and the Western Cape surprised on the upside, with the latter's economy growing by 4,0%. This rate of growth was underpinned by the province's agriculture, transport and communication, and trade sectors. Although two of Cape Town's largest sectors, namely finance and business services, and manufacturing, recorded negative growth rates (at a provincial level) in the quarter, both sectors recorded positive employment growth on both a quarter-on-quarter and year-on-year basis. Employment in the finance industry, in particular, has increased by 62 103 jobs since the second quarter of the previous year.

While employment as a whole has increased notably from the depths of the second quarter of 2020, not all sectors have performed equally well. The trade and hospitality sector reflected economic growth of 11,5% in the second quarter, but continued to shed jobs, both on a quarter-on-quarter and year-on-year basis. This cannot be untangled from persistently low consumer confidence (with the FNB/BER Consumer Confidence Index dropping to -13) and also reflects the relatively weak performance of the local tourism industry.

Exports continue to be a shining light for Cape Town, having grown by 33% from the pre-Covid-19 levels of the second quarter of 2019. Exports of yachts and pleasure vessels, and jewellery, recorded particularly strong growth when compared to levels seen in both 2020 and 2019. The performance of export industries may, in part, explain the disjuncture between business confidence (which reached a seven-year high value of 50 index points in the second quarter) and consumer confidence.

Although Cape Town's economic recovery has not been without setbacks, it has been marginally faster than expected. Unfortunately, while increasing business, manufacturing and construction sector confidence (the latter evidenced by growth in building plan submissions) would ordinarily point towards the likelihood of sustained growth in subsequent quarters, this is unlikely to be the case. Frustratingly, these gains in confidence are likely to be muted as a result of the unanticipated shocks that occurred in July, particularly the looting in KwaZulu-Natal and Gauteng, and the cyber attack experienced by Transnet's ports. While the former did not directly affect Cape Town, the disruption of national supply chains and the overall impact on manufacturing confidence will have ripple effects. The latest Purchasing Managers' Index certainly reflects the impact of these shocks.

Economic growth recovery is a fragile thing and is highly sensitive to further shocks and uncertainties. Employment recovery is arguably even more fragile and certainly more stubborn. While good ground has been made in recovering some of the jobs lost in Cape Town during 2020, the labour market still has a long way to go; more so because the working-age population continues to grow, irrespective of economic conditions. Accommodating an expanding labour force through employment creation requires increased greenfield investment, but also the expansion of existing businesses in Cape Town.

Encouragingly, a number of large foreign investments have been recorded in Cape Town recently. These big investments now need to be supported by expansions in mid-sized and small businesses, but for this to occur, businesses need to observe clear market opportunities. The City of Cape Town has very little control over this, but does play a critical role in creating an environment that is conducive to investment and business expansion. This involves maintaining excellent levels of service delivery, ensuring consistent good governance, reducing the cost of doing business and providing effective support for businesses and transparent communication with them. These principles are at the heart of the City's Inclusive Economic Growth

Strategy, which will inform its approach to stimulating economic recovery and expansion.

Paul Court
Manager: Economic Analysis

Note

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

KEY FINDINGS FOR THE SECOND QUARTER OF 2021

In the second quarter of 2021, the Western Cape economy **grew by 4,0% quarter-on-quarter**, mirroring the national trend and sustaining its economic recovery that began at the end of last year, following the nationwide lockdown in the second quarter of 2020. This provincial growth was driven by the transport and communication, and trade and hospitality sectors.

The Western Cape recorded an **inflation rate of 5,0%** at the end of the second quarter of 2021, which is significantly higher than the 3,4% shown at the end of the previous quarter. Although this was higher than the national inflation rate of 4,8%, 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 decreased by 9 234** to a total of 1,45 million. On a year-on-year basis, however, this figure has increased by 53 859 individuals. The main contributor to quarter-on-quarter employment growth during the period was the construction sector, which added 19 921 jobs, followed by private households (19 657 added). The trade, hotels and restaurants sector shed the most jobs (-55 111) quarter-on-quarter followed by community, social and other personal services (-22 845).

Cape Town's **top five tourist attractions** recorded a total of 262 840 visitor numbers in the second quarter of 2021. This represented an average quarter-on-quarter decline of -13,5%, and a drop of -69,6% compared to the same period in 2019.

Cape Town accommodation establishments recorded an **occupancy rate of 44,0%** in the second quarter of 2021, compared to 56,9% for the second quarter of 2019, which was prior to the Covid-19 pandemic and the subsequent lockdown restrictions.

Air passenger movements improved on a quarter-on-quarter basis. In the second quarter of 2021, Cape Town International recorded 1 196 122 passenger movements, which is an increase of 27,6% compared to the previous quarter.

Cape Town's trade, on a quarter-on-quarter basis, increased in terms of both **exports and imports** in the second quarter. Exports were mainly led by crude oil and citrus fruit. On a year-on-year basis, second quarter exports recorded an increase of 73,2% from levels shown in the second quarter of 2020, and a 33,4% increase on the same period in 2019.

In the second quarter of 2021, the City of Cape Town recorded a year-on-year increase in **building plan** submissions to 4 926, while the total value of building completions showed a year-on-year increase of 6,9%, but a decline in number of projects by 17,5%.

01

SUCCESS STORIES

C.O DESIGNS DELIVERS COMFORTABLE, ERGONOMIC, QUALITY OFFICE FURNITURE FOR EVERY WORKSPACE

C.O Designs has been a leading South African office furniture manufacturer for almost 30 years. The manufacturing facility is based in Cape Town and is supported by sales teams in the Mother City and Johannesburg. Recently, the business launched its sister company, Home Office Designs, with the intention of applying the many years of experience of the owners in the corporate working environment and making it accessible to employees who are now operating in the work-from-home environment. Home Office Designs focuses on producing a range of products that enable, and respond naturally to, the integration of working and living.

More recently, the business launched its EasyActiv brands, featuring a range of height adjustable work surfaces that encourage people to move more as they work throughout the day.

According to Leah Arnoldi, e-commerce project manager for the business, it's this ability to adapt and innovate in response to the changing needs of corporate employers and employees, that has enabled C.O Designs to remain relevant and achieve the success it has over the past three decades.

She also points to the location of the C.O Designs manufacturing facility in Cape Town as being instrumental in the sustainable success and resilience of the business. "We chose Cape Town as our home base because of the large number of top-quality craftsmen in the city," she says, "it also offers a wonderful lifestyle, it's a port city, which provides an opportunity for international import and export, and the City Council and Western Cape Provincial Government are supportive of local business."

She also points to the fact that SAFI (South African Furniture Initiative) originated in Cape Town, combined with the fact that the city has many extremely talented designers who are creating forward-thinking workspaces for their clients, as further evidence of the value of Cape Town as not only home for the C.O Designs business, but also as a valuable national hub for furniture design and manufacturing.

C.O Designs works closely with these designers alongside its own in-house design team to bring office furniture, acoustics solutions, and multi-functional workspaces to life for its clients. The business also stays on top of international trends and standards to ensure that it is constantly stretching itself to perform as well as, if not better than, its international contemporaries.

> *"We have the ability to customise our products specifically to the South African market, and deliver a top-quality product that is proudly designed and manufactured in Cape Town."*
>
> Leah Arnoldi, e-Commerce Project Manager at C.O Designs

Over the almost 30 years of its existence, the business has secured a long-standing, national, blue-chip customer base. Arnoldi says that, logistically, Cape Town has offered the right infrastructure and reach to effectively service this customer base and continually change and adapt its products and services to evolve with its customers, in line with changing furniture styles, workplace philosophies and trends.

The company's strong awareness of ergonomics and distraction-free working inspired the design of innovative products such as its QuickPod and Chatterbox Privacy Pods. These products were a response to collaborative and de-centralised workspaces. They provided customers with long-term cost savings and environmentally sensitive office workspaces that are acoustically engineered and can be transported and reused.

Asked about the main challenges that the business faces, Arnoldi says that these are probably not unique to C.O Designs. "Cashflow is always challenging when needing to fund product development ahead of the sales cycle, and putting the right people in the right roles is tricky. Putting together the best workflow and optimal size of our manufacturing operation is also something that we constantly work on, redefine, and adjust as we go along," she explains.

She also points out that the office furniture industry is capital intensive due to reliance on expensive, imported machinery. This is exacerbated by South Africa's relatively high interest rates and declining currency value, which makes these international expenses high in relation to what overseas competitors have to pay.

She says that the declining numbers of craftsmen is also a challenge. "Unfortunately, craftsmen have not been regenerated into the current age, and this need has been replaced by a demand for smart technology focused manufacturing skills."

To address and overcome this challenge, C.O Designs has implemented in-house training and mentoring, and the very low staff turnover rate at the business shows that this investment into staff development and career opportunity creation is valued by employees. "Our CNC operator started off as a watchman at the front gate, and today he is our best machine operator and is now also learning CNC programming," she says, "and one of our administrative store controllers started as a cleaner, before moving to quality control, and is now a union representative."

C.O Designs' QuickPod, a flexible, relocatable, reusable acoustic room-in-room ; and Sector, a reusable and relocatable acoustic pod.

Arnoldi points to the company's greatest challenge as a result of Covid-19 being the fact that corporate clients have put their expansion plans on hold as employees moved to work-from-home arrangements. "The pandemic forced us to re-evaluate everything we do and build up a new base, discarding any old habits, company cultures, and legacies that were no longer serving us," she explains, "but we used the quiet time to work on our Home Office Designs product line and to restructure our traditional business in a way that is more agile and able to respond better to this new office environment."

She says that Covid-19 also taught the business valuable lessons. "We understand now, more than ever, how important it is to stay in close contact with the facilities teams of our customers and to respond to their in-house requirements by creating safe workspaces for their staff. We know that we cannot simply supply the same products as we did in pre-pandemic days as the corporate workspace has changed for good, and we need to ensure that we play our part in creating safe and flexible workspaces."

She says that the business had been thinking about introducing a home office range for some time, and that Covid-19 transformed that thinking into priority planning and action. The business has invested significantly into new designs and skills to bring this range to market as an e-commerce business, which is quite a departure from its traditional B2B business approach.

The company recently launched its EasyActiv product after substantial time invested in developing and designing the variable height work station concept to ensure that it addresses ergonomic requirements of a broad range of work styles.

"What is exciting about the EasyActiv range is that it can be used for both remote and office work. It is a multifunctional product that encourages movement, prevents fatigue, and provides comfort while working from anywhere. It allows you to sit, stand, and move while you work. Height adjustable products are everywhere, but the EasyActive solution came out of our belief that adding a workspace that easily enhances your productivity and well-being should not have to be a big investment."

"Our plan with Home Office Designs is to stay focused on specialty niches and to do things exceptionally well in order to create a differentiating advantage, while still keeping our broad service offering available to our clients. We have achieved this through strategic alliances with carefully selected suppliers and competitors, who share common interests."

Leah Arnoldi, e-Commerce Project Manager at C.O Designs

Looking to the future, Arnoldi is confident in the growth prospects for the business. "We believe that we have an amazing team in place that will ensure that our business remains relevant in the corporate office space, and that our Home Office Designs products really offer something unique in enabling the best work-from-home experience," she says. "We will be focusing our efforts on these two very different product lines that are delivered through the same well-honed design and manufacturing expertise."

Arnoldi says that C.O Designs is focused on continually innovating to raise its international competitiveness and expand internationally from its strong Cape Town base.

EasyActiv – A height-adjustable sit to stand desktop workstation.

POWER LOGIC *LEADING THE GLOBAL FIELD IN INNOVATIVE POWER OUTLET SOLUTIONS*

Over the past 30 years, Power Logic has solidified its standing as a world leader in its field. The company designs and manufactures power outlet systems for office and home use. These range from entry-level to high-end devices to suit all applications, and they comply with the most rigorous international standards of safety and quality.

Based in Cape Town, Power Logic has a broad international distribution network with representation in the UK, North and South America, the Middle East, Australia, New Zealand, South East Asia and Africa.

Managing director Adrian Mazzullo highlights how location and good infrastructure played a key role when it came to establishing Power Logic in the Mother City, and he says that, while many companies faced new challenges due to Covid-19, Power Logic has managed to continue setting its sights on growth and ongoing innovation.

OneTouch electronically operated power outlet unit in closed position.

"As one of the few companies in our field that is able to take a product from concept to finished product entirely in-house, we have a unique advantage over many of our competitors, as we design and develop products rapidly while still adhering to the highest international standards."

Adrian Mazzullo, Managing Director of Power Logic

Power Logic employs over 100 staff in its facility, ranging from semi-skilled to highly skilled individuals. And Mazzulo says that, as an exporter of high-quality products, the company has to ensure its products are manufactured to a consistently high standard, so staff and suppliers are carefully selected to ensure that it meets these standards.

He says the decision to set up the business in Cape Town some 30 years ago was not a difficult one to make, given that Cape Town is a modern city with good infrastructure and good governance. He also points to frequency of international flights and a reliable seaport as key benefits for any business needing to import and export goods and materials. There is also a large and diverse population from which to source personnel.

Mazzullo says that all these factors have played a part in the success of Power Logic over the years, and enabled the company to grow from a small business servicing the local market into an international company employing over 100 people.

OneTouch with comms open.

"The city has good infrastructure and is run efficiently. It is conveniently located in a similar time zone to Europe and, of course, the good climate is an added bonus."

Adrian Mazzullo, Managing Director of Power Logic

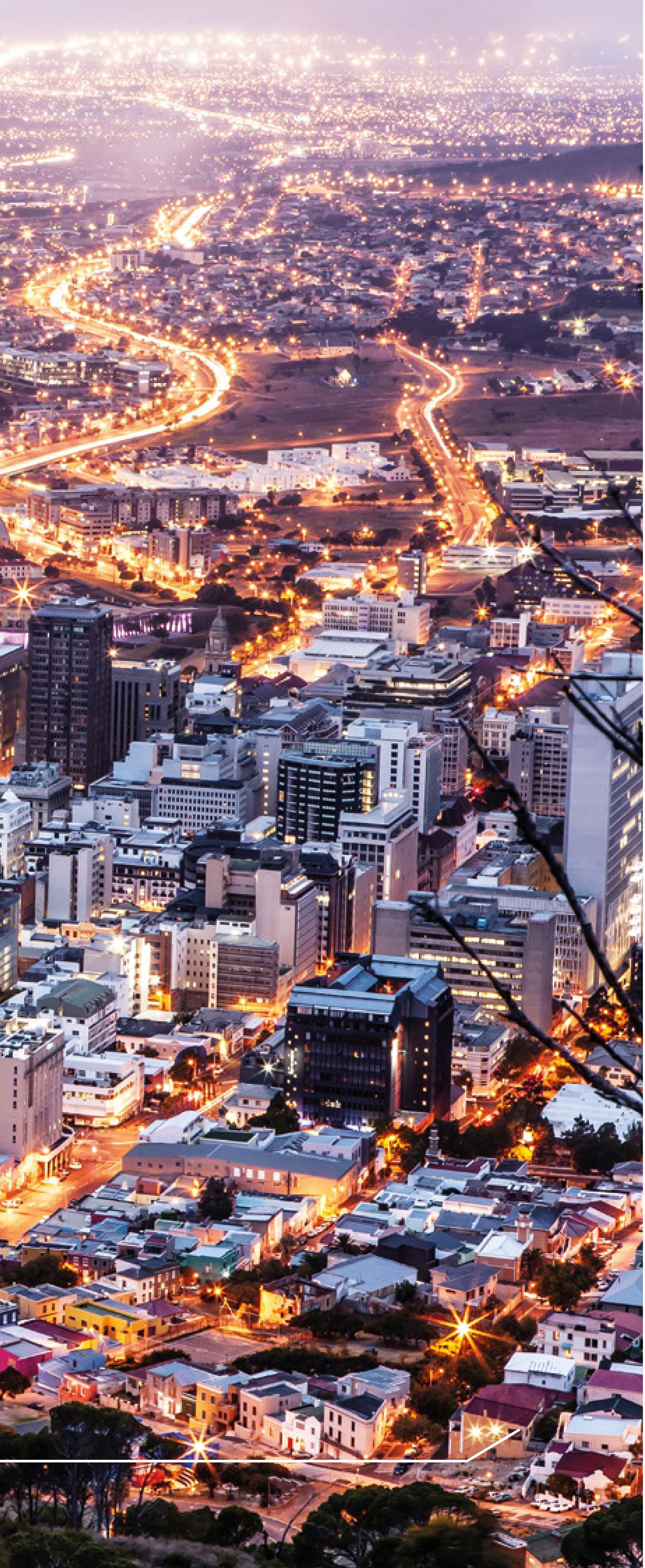
He points to the interruptions to power supply due to load-shedding as being the major challenge the business has encountered over the years. "We have mitigated this through solar power and the use of a diesel generator," he says, "but power outages are still always a disruption to efficient workflow."

More recently, Covid-19 also presented the business with a number of challenges, especially during the hard lockdown period when production had to be halted. However, Mazzullo says that the company managed to retain all its staff, so once the harsh restrictions were eased, the business got its production lines running quickly again. He also points to the longer-term restrictions on flights and shipping as an additional challenge, as they caused delays in meeting the requirements of international customers.

In response to these challenges, Power Logic has diversified its product portfolio and broadened its market range. It has also streamlined its operations to run more efficiently and to be nimbler in product development.

Looking forward, Mazzullo is excited about the future of the business. "We have several exciting new products in the pipeline, which will allow us to enter new markets," he says.


02



OVERVIEW

CAPE TOWN OVERVIEW 2021: QUARTER 2

GROSS DOMESTIC PRODUCT (GDP)

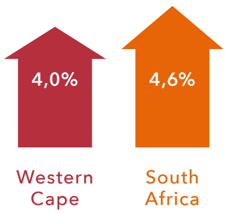
The **Western Cape** accounted for **R648 billion**[a] of the **R4,5 trillion gross domestic product** (GDP) generated by **South Africa** in the second quarter of 2021. While GDP data are not available at a city level on a quarterly basis, **Cape Town** typically contributes around **72%** of the provincial GDP annually.[b]

R648 billion
Western Cape

[a] *At constant 2015 prices; seasonally adjusted and annualised. Source: Quantec, 2021.*
[b] *Source: IHS Markit, 2021.*

GDP GROWTH RATE

During the second quarter of 2021, the **Western Cape** achieved quarter-on-quarter GDP growth of **4,0%**, compared to **national GDP** growth of **4,7%**.[c]



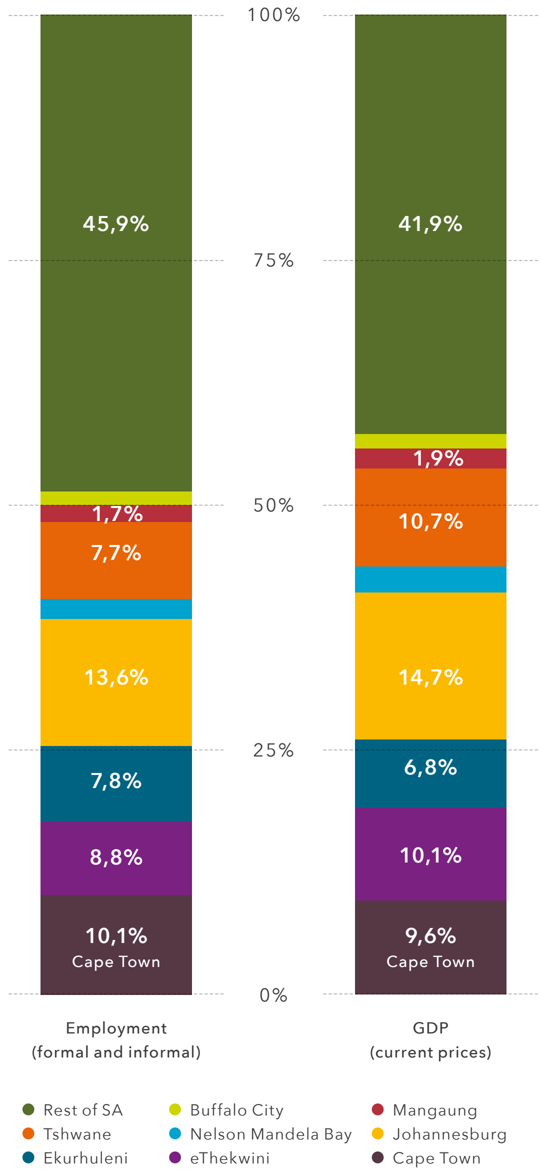
[c] *At constant 2015 prices; seasonally adjusted and annualised. Source: Quantec, 2021.*

GDP PER CAPITA

In 2020, **South Africa** had a GDP per capita of **R92 564**, while the **Western Cape's** GDP per capita was **R112 187** and **Cape Town's** was **R123 223**.[d]

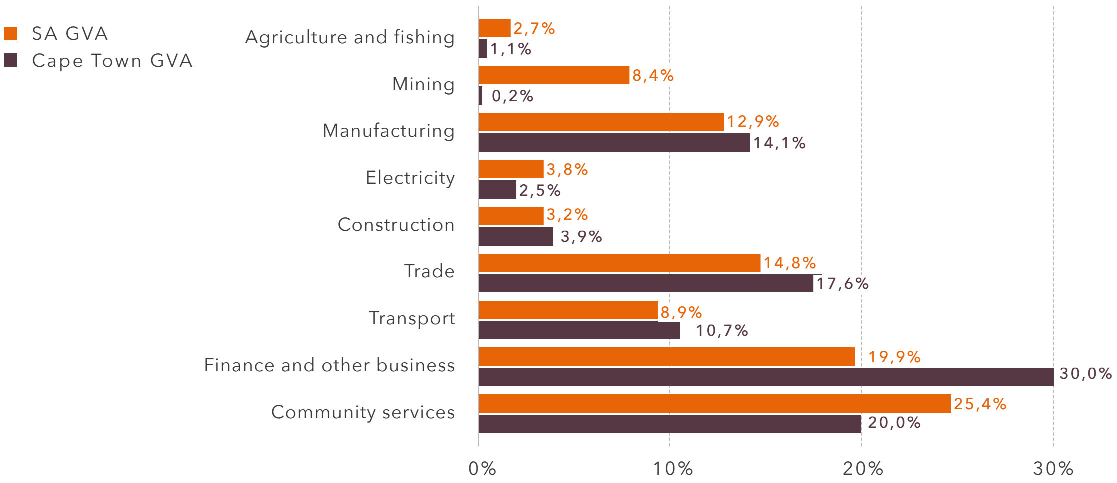
[d] *At current prices. Source: IHS Markit, 2021.*

CAPE TOWN GROSS GEOGRAPHIC PRODUCT AND EMPLOYMENT CONTRIBUTIONS TO SA, 2020[e]



[e] *At current prices. Source: IHS Markit, 2021.*

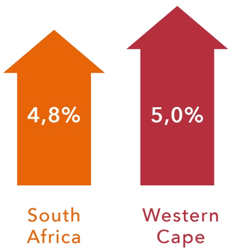
SECTORAL SHARES, CAPE TOWN GROSS VALUE ADDED (GVA) VERSUS NATIONAL GVA, 2020[f]



[f] *At current prices. Source: IHS Markit, 2021.*

INFLATION

At the end of the second quarter of 2021, **South Africa** had an inflation rate of **4,8%**. The **Western Cape's inflation rate** for the same period was **5,0%**.[g]



[g] *Source: Statistics South Africa (Stats SA), 2021.*

POPULATION

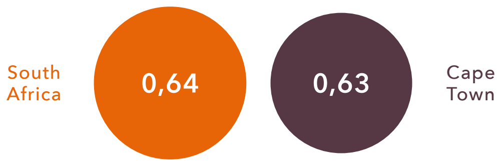
South Africa has a population of **59 622 350**. A total of **7 005 741** people (11,8% of the national population) live in the **Western Cape**. Of those, **4 604 986** are residents of **Cape Town**.[h]

[h] *Source: City of Cape Town, 2021a.*

GINI COEFFICIENT

In 2020, **South Africa** had a Gini coefficient* of **0,64**, while **Cape Town** had a slightly lower value of **0,63**.[i]

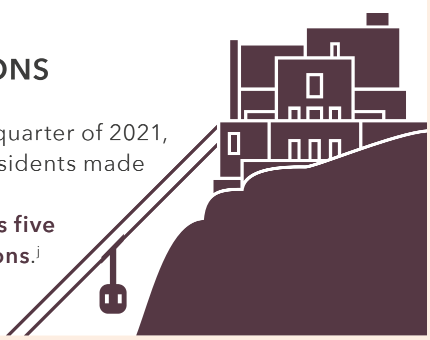
** The Gini coefficient measures inequality in levels of income.*



[i] *Source: IHS Markit, 2021.*

VISITOR ATTRACTIONS

In the second quarter of 2021, tourists and residents made **262 840 visits** to **Cape Town's five major attractions**.[j]



[j] *Source: Wesgro, 2021.*

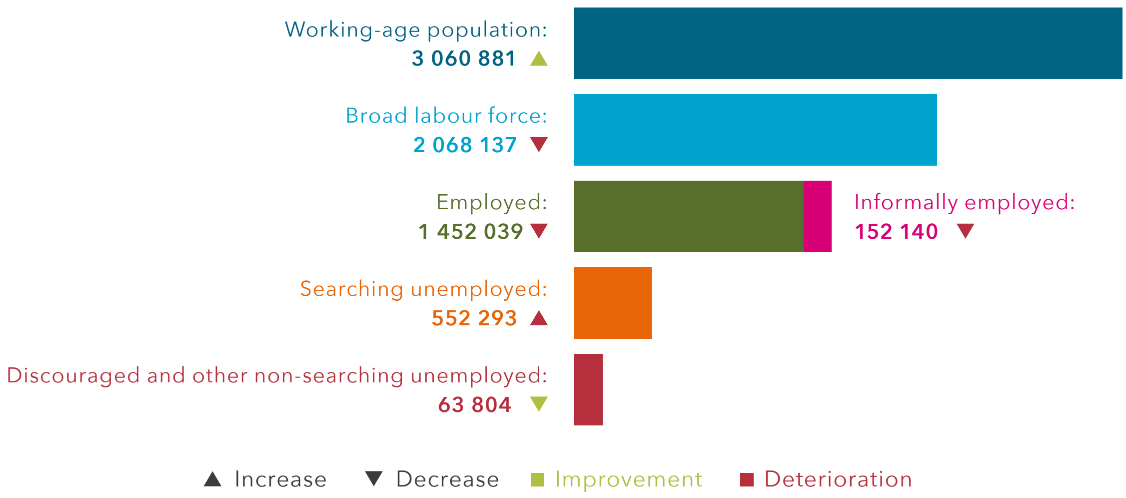
AIR PASSENGER MOVEMENTS

Of the **4 042 359** passenger movements through **South Africa's three international airports**[k] during the second quarter of 2021, **1 196 122 were through Cape Town International Airport.**[l]

[k] *Source: Cape Town, OR Tambo and King Shaka.*
[l] *Source: Airports Company South Africa, 2021.*

LABOUR OVERVIEW 2021: QUARTER 2

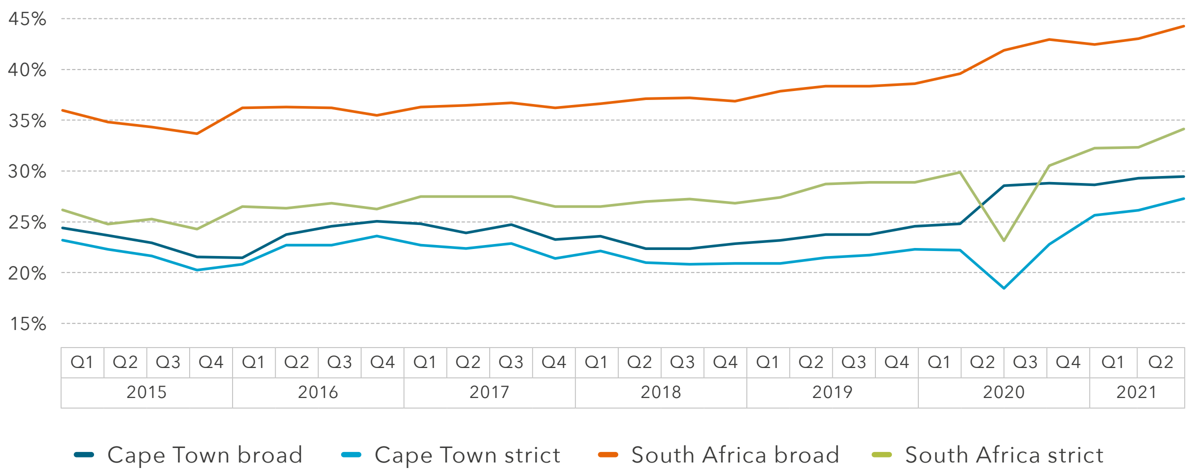
LABOUR INDICATORS, 2021 Q2 (QUARTER-ON-QUARTER CHANGES)



Labour force participation rate (strict) = **65,5%** Absorption rate = **47,5%** Dependency ratio = **43,5%**

Source: Statistics South Africa, Quarterly Labour Force Survey, 2021 Quarter 2, August 2021.

STRICT VERSUS BROAD UNEMPLOYMENT RATES FOR SOUTH AFRICA AND CAPE TOWN, 2015 Q1 TO 2021 Q2



Source: Statistics South Africa, Quarterly Labour Force Survey, 2021 Quarter 2, August 2021.

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

The most recent gross domestic product publication released by Statistics South Africa (Stats SA, 2021) included two notable developments. Firstly, with the finalisation of its rebasing and benchmarking exercise, the base year for constant prices has been revised from '2010' to '2015'. Methodologies have also been updated.

As a result of these changes, historical data have undergone a major revision. As an example, according to the previous publication release for the first quarter of 2021, South Africa's economy for the completed 2020 year was recorded as R2,9 trillion (constant 2010 prices). Following the revision, South Africa's GDP for 2020 is now recorded as R4,3 trillion (constant 2015 prices). Similarly, the country's GDP contraction of -7,0% for 2020 has been upwardly revised to -6,4%. Secondly, Stats SA further announced that "it will no longer use the annualised rate as the headline rate of change", which was implemented in its GDP release for the second quarter of 2021. Instead, Stats SA will publish the quarter-on-quarter real GDP growth rate (seasonally adjusted) as the headline GDP rate. While the discussion underpinning this decision is not new, the change comes off the back of the recent period of economic instability as a result of the Covid-19 pandemic, which highlighted the shortcomings of the annualised growth rate when analysing periods of mixed performance, as was the case in 2020.

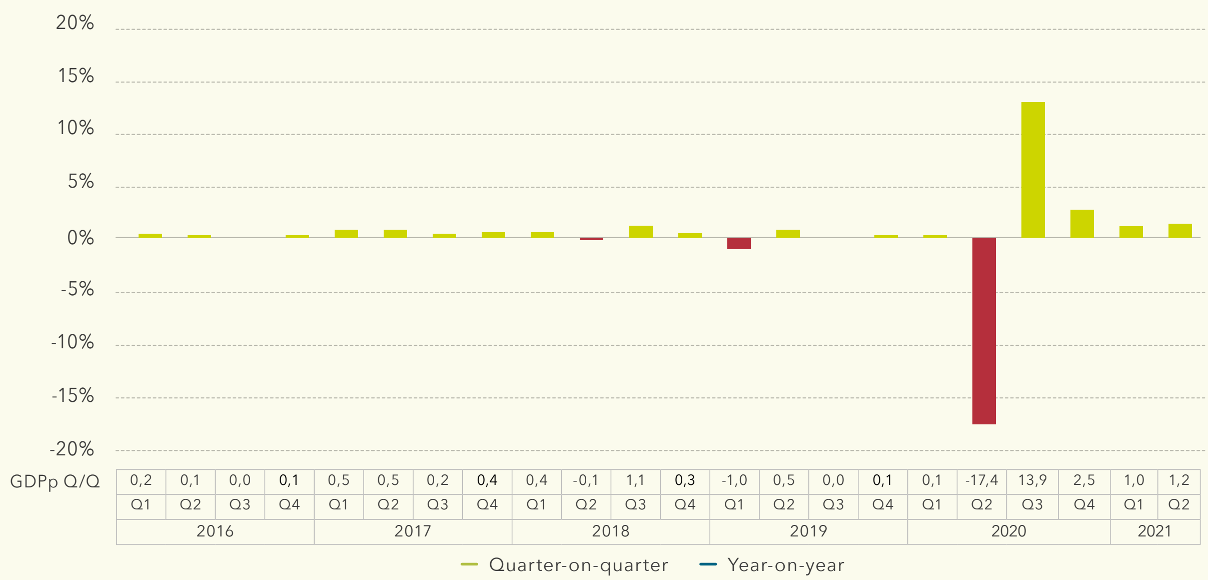
The South African economy recorded GDP growth of 1,2% quarter-on-quarter (non-annualised, as per the change in Stats SA's reporting conventions) in the second quarter of 2021. This was 0,2 of a percentage point higher than the previous quarter (which was revised downward by 0,1 of a percentage point to 1,0%). The recovery in the second quarter was largely expected, slightly exceeding the Bloomberg consensus projection of growth of 0,9% (non-annualised) (Omarjee, 2021). As illustrated in figure 1, after a positive rebound in the third quarter of 2020, growth has begun to stabilise. In terms of rand value, economic activity has not yet returned to pre-pandemic levels.

Note: In order to draw a more detailed comparison to the provincial economy of the Western Cape, and to maintain consistency in the reporting of historic growth rates, the remainder of this analysis will be based on the annualised data for economic activity.

For the second quarter of 2021, the national economy recorded annualised growth of 4,7%[1] quarter-on-quarter, improving by 0,5 of a percentage point from the previous quarter (which was revised downward by 0,4 of a percentage point to 4,2%). This performance far exceeded the consensus expectation for 2,5% growth, as well as the BERs projection of 2,9% (BER, 2021a).

The primary drivers of the second-quarter growth were the transport and communication sector, which grew by 30,5% quarter-on-quarter and added the most to the total national growth rate (2,2 percentage points), as well as

FIGURE 1: SOUTH AFRICA'S HEADLINE GDP GROWTH, QUARTER-ON-QUARTER (SEASONALLY ADJUSTED, NON-ANNUALISED), 2016 Q1 TO 2021 Q2



Source: Statistics South Africa, Gross domestic product, First quarter 2021, 8 June 2021.

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

the agriculture sector, which grew by 27,0% and added 0,8 of a percentage point to total national growth. These were followed by the community, social and other personal services sector, which saw growth of 10,3% in the second quarter of 2021 and made the second highest contribution to total national growth (1,7 percentage points).

Notwithstanding the continued path of recovery that the quarter-on-quarter GDP figures reveal, indicators of economic climate continue to show mixed results. After slipping to 35 index points in the previous quarter, the RMB/BER Business Confidence Index surged by 15 index points to record 50 index points in the second quarter of 2021; a level last recorded in 2014. According to the BER, "while the improvement in sentiment is no doubt encouraging, uncertainties remain". This is because half the respondents remain unsatisfied with the prevailing business conditions (BER, 2021b). Furthermore, the FNB/BER Consumer Confidence Index declined a further 4 index points to record -13 for the second quarter of 2021 (BER, 2021c).

The Absa Purchasing Managers' Index (PMI) survey is more indicative of manufacturing activity as it centres on components such as business activity, new sales orders, supplier performance, prices and employment, in addition to business sentiment. Following improvements in the previous quarter, the Absa PMI recorded mixed performance throughout the second quarter of 2021, declining by 1,2 index points to 56,2 index points in April before rebounding to 57,8 index points in May, and then slipping to 57,4 index points in June 2021. According to the BER (2021d), the recording for June was underpinned by all five sub-components recording around the neutral 50-point mark [relative to February]. The sustained recordings above 50 index points, as well as improvements compared to the previous quarter, suggest that the manufacturing sector's growth is stabilising following lockdown-induced contractions, and was maintained throughout the second quarter of 2021.

A GLOBAL COMPARISON OF ECONOMIC PERFORMANCE IN THE SECOND QUARTER

According to the International Monetary Fund (IMF, 2020), the so-called 'Great Lockdown' – an unprecedented global response to the Covid-19 pandemic – triggered the worst recession since the Great Depression. The IMF (2021a) notes that, despite the unprecedented economic impact of the Covid-19 pandemic, estimates suggest it could have been as much as three times worse had it not been for the "extraordinary policy support". Uncertainty pertaining to the [future] path of the pandemic remains a risk to the global economic outlook. While its forecast for global growth remains at 6,0% for 2021, in its latest World Economic Outlook Update (WEO; IMF, 2021b), the IMF has upwardly revised its forecast for 2022 to 4,7%. Its forecast for 2021, however, is underpinned by an upwardly revised growth forecast for advanced economies to 5,6% in 2022 (up by 0,5 of a percentage point compared to its WEO April 2021 publication). Its forecast for emerging and developing economies has been downwardly revised (by 0,4 of a percentage point) to 6,3%, in part due to the vaccine access issue.

For 2022, the IMF expects advanced economies to record 4,4% growth and emerging market and developing economies 5,2%, which represent upward revisions of 0,8 and 0,2 of a percentage point respectively. The IMF forecast for South Africa has also been upwardly revised, with expectations for growth of 4,0% in 2021 (up 0,9 of a percentage point) and 2,2% in 2022 (up by 0,2 of a percentage point). This, however, may not take into account the unrest and looting that took place in several key locations in the country in July, which is likely to have a negative impact on the short-term growth outlook.

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 4,0% quarter-on-quarter for the second quarter of 2021. The improvement of 0,4 of a percentage point from the previous quarter's growth (which was revised downward by 0,4 of a percentage point to 3,6%), shows that the province continues to sustain its path of recovery.

Similar to the performance of the country as a whole (19,4%), and following four consecutive contractions, the Western Cape recorded year-on-year growth of 18,0% in the second quarter of 2021. The positive performance is underpinned by the fact that most sectors (except government services) recorded strong positive year-on-year growth rates at both national and provincial levels. It must be noted, however, that these year-on-year growth rates have been recorded off an exceptionally low base, as the second quarter of 2020 was the period in which the most stringent restrictions on economic activity were in place.

The Western Cape's sectoral performance, on a quarter-on-quarter basis, showed many similarities to that of the national economy. Notably, the same five sectors recorded positive quarter-on-quarter growth in the second quarter of 2021, while the other four sectors recorded contractions over the period. The highest growth in the province was evident in the transport and communications sector, with quarter-on-quarter growth of 30,8%. It was also the largest contributor to the province's total growth, adding 2,3 percentage points. This was followed by the agriculture sector's quarter-on-quarter growth of 26,8%, which added 1,1 percentage points to total growth. Despite the agriculture sector recording a slightly higher growth rate at a national level (27,0%), its greater share of the provincial economy (4,5% compared to 3,2% of the national economy) translated into a greater provincial impact (+1,1 percentage points to total provincial growth, compared to +0,8 of a percentage point to total national growth).

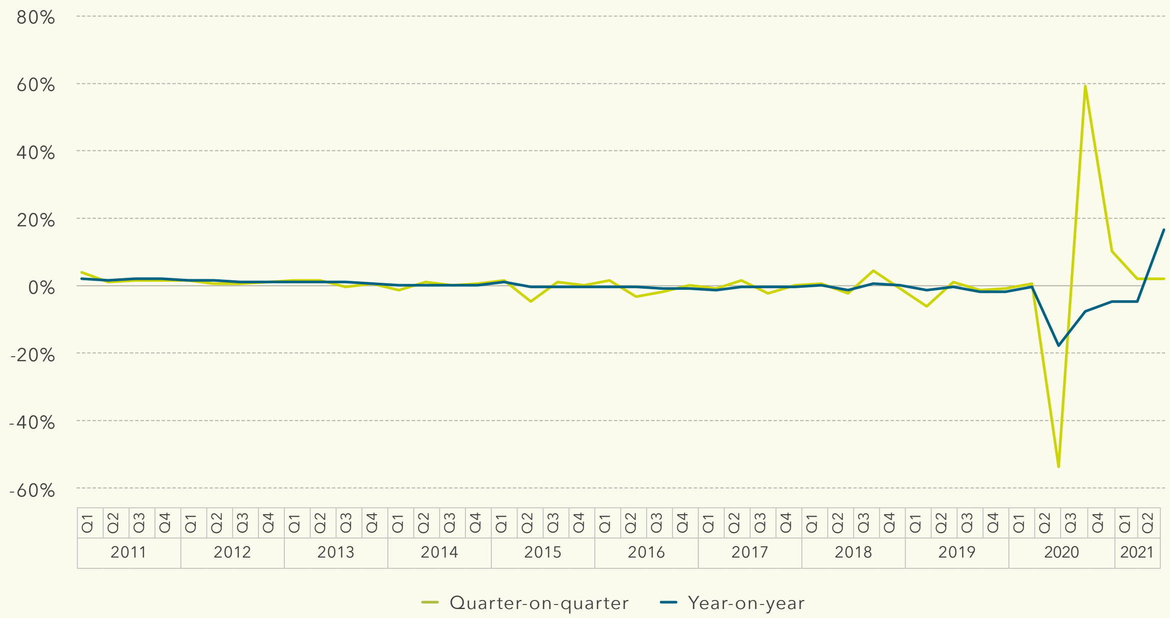
In contrast, while the mining sector recorded the third highest growth rate (20,3%) in the province in the second quarter of 2021, its relatively small contribution (0,2%) to the provincial economy meant that it only added 0,03 of a percentage point to total provincial growth for the quarter. At a national level, the mining sector's quarter-on-quarter growth of 8,0% added 0,4 of a percentage point to total national growth, due to its larger share of the national economy (5,4%).

While Stats SA's rebasing and benchmarking exercise resulted in changes to the sectoral contributions to the national and provincial economies, it resulted in minimal changes to the overall contribution rankings of the various sectors. The most prominent sector contributors to total GDP (value) in the Western Cape remain finance and business services (34,2% share), manufacturing (14,0% share), and trade and hospitality (13,4% share). Despite the province's overall positive performance in the second quarter of 2021, among its largest sectors, the trade and hospitality sector was the only one to contribute positively to growth at a provincial level. It recorded quarter-on-quarter growth of 11,5% and made the second highest contribution to total growth, at 1,5 percentage points. The sector's continuous growth, albeit 1 percentage point lower when compared to growth in the previous quarter, comes despite a generally weak business and consumer sentiment, as well as constrained tourism related activity. In contrast, the finance and business services sector – which is usually a stable performer – contracted by 1,8% quarter-on-quarter, subtracting 0,6 of a percentage point from total provincial growth in the second quarter of 2021.

The manufacturing sector recorded the highest contraction (-5,3%) in the province and subtracted the most from total growth (-0,8 of a percentage point). Following three consecutive quarters of positive growth, after the pandemic-induced economic shock in the second quarter of 2020, this contraction in the second quarter of 2021 highlights this sector's history of struggling performance, even in the pre-pandemic environment. Similarly, the construction sector contracted by 5,0% in the second quarter of 2021 and subtracted 0,2 of a percentage point from total provincial growth.

Despite the largely positive results for growth in the second quarter of 2021 – a necessity for continued economic recovery – the majority (six) of the province's sectors recorded lower quarter-on-quarter growth rates

FIGURE 2: REAL GGP GROWTH FOR THE WESTERN CAPE, 2011 Q1 TO 2021 Q2

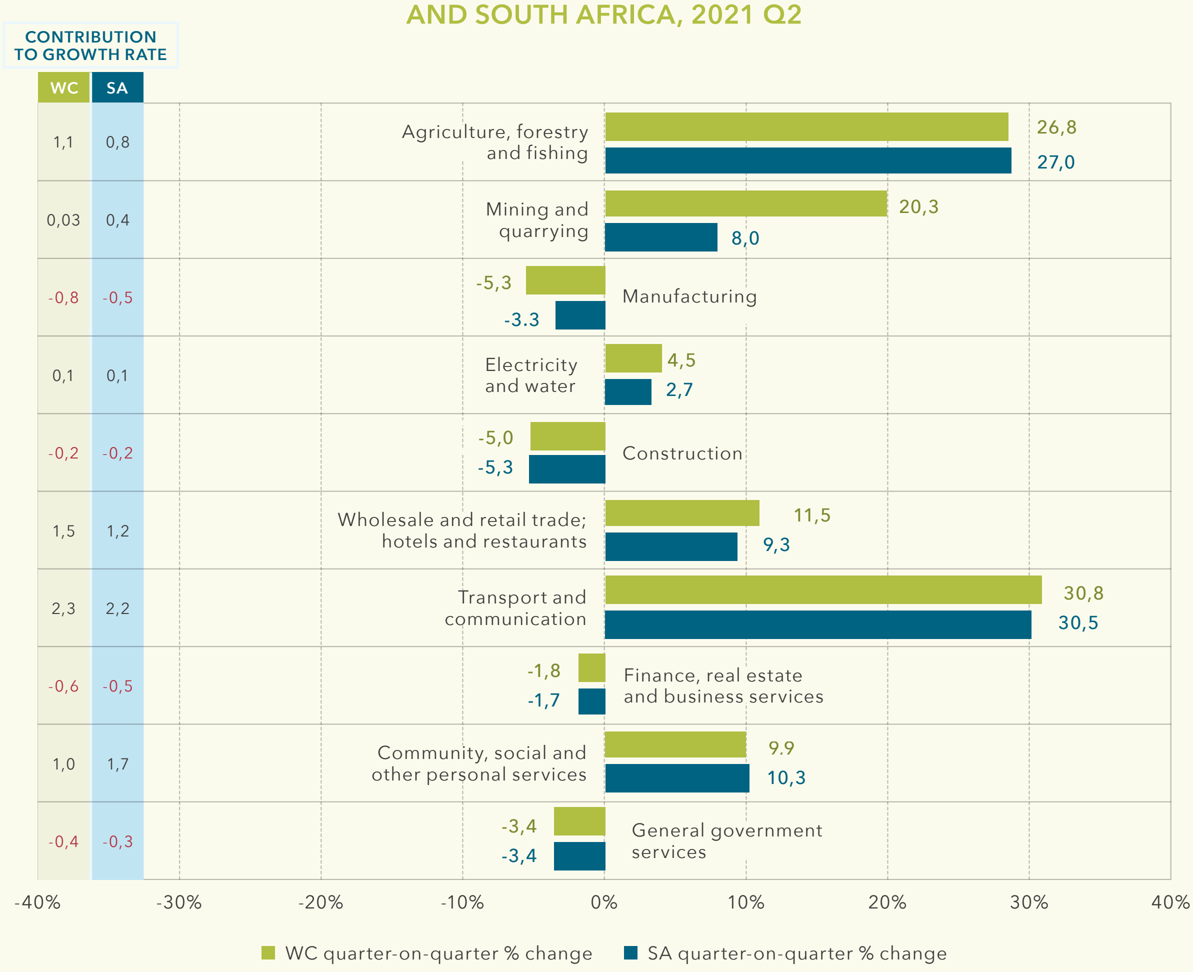


Source: Quantec, 2021.

when compared to the previous quarter. This highlights the still challenging economic climate as they edge closer to their pre-Covid-19 contractionary trends.

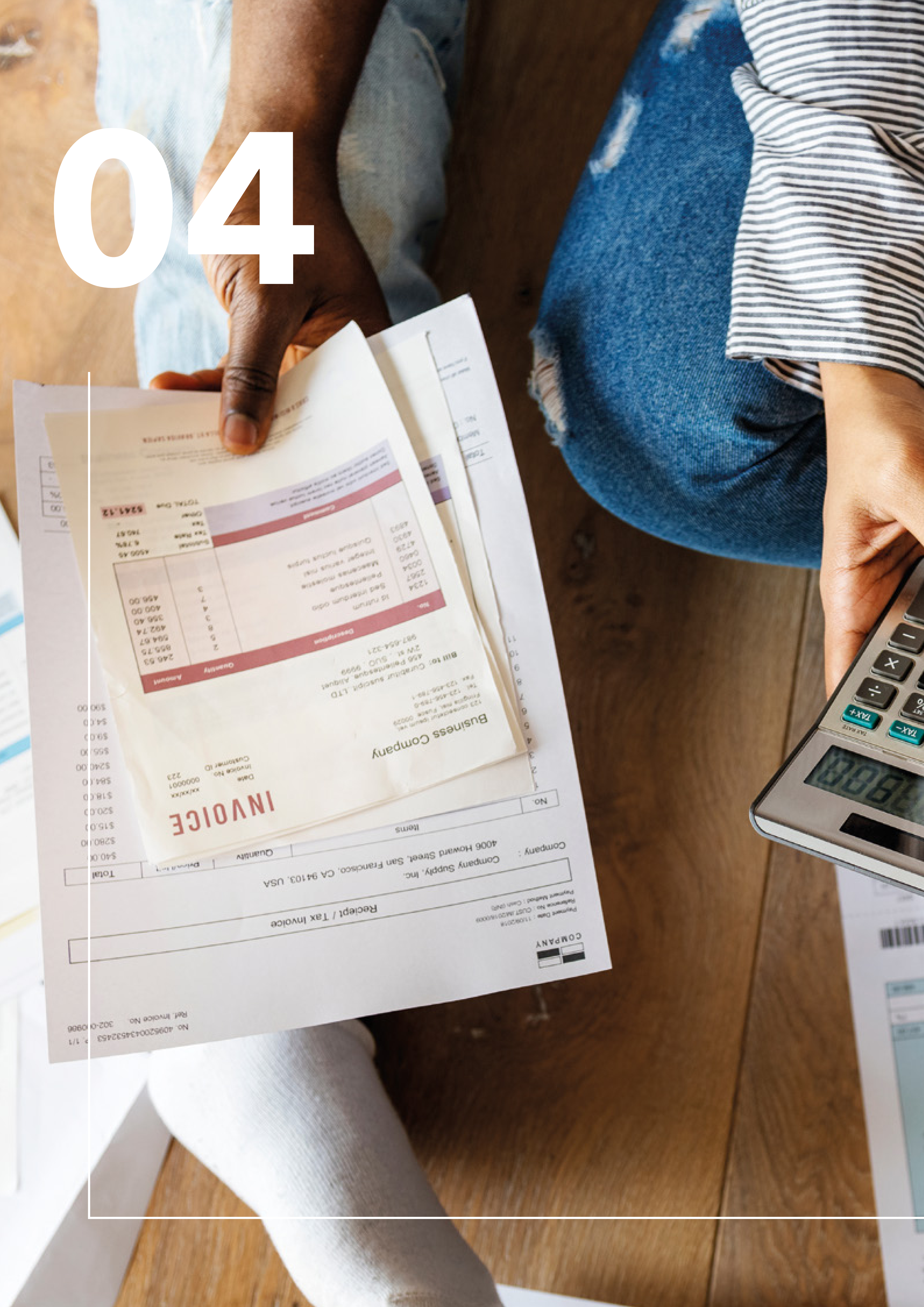
While quarterly GDP-R statistics for Cape Town are not timeously available for inclusion in this document, the performance of the Cape Town economy can typically be expected to mirror that of the provincial economy. This is because the city contributes around 72% of the total provincial economic output (IHS Markit, 2021). 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 just 0,2 of a percentage point. If this holds true for the second quarter of 2021, a plausible range for Cape Town's quarter-on-quarter economic growth would be between 3,8% and 4,2%. However, the nature of the 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 finance and manufacturing sectors contribute a considerable share to Cape Town's GVA (a combined 50,3%), as well as the province's respective sectoral activity (on average Cape Town's performance of these sectors contributes 75% of their provincial counterpart performance), their negative impact may have been more pronounced on the city's economy. This could, however, have been moderated somewhat by the strong performance of the trade sector.

FIGURE 3: SECTORAL REAL GDP-R GROWTH RATES IN THE WESTERN CAPE AND SOUTH AFRICA, 2021 Q2



Source: Quantec, 2021.

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 second quarter of 2021, the CPI increased significantly to 4,9% from 3,2% at the end of the first quarter of 2021. As illustrated in figure 4, the CPI was 4,4% in April, increasing to 5,2% in May and decreasing to 4,9% in June. Overall, the CPI remained within the inflation target range (3% to 6%) for this quarter. The May recording is the highest for the CPI since November 2018.

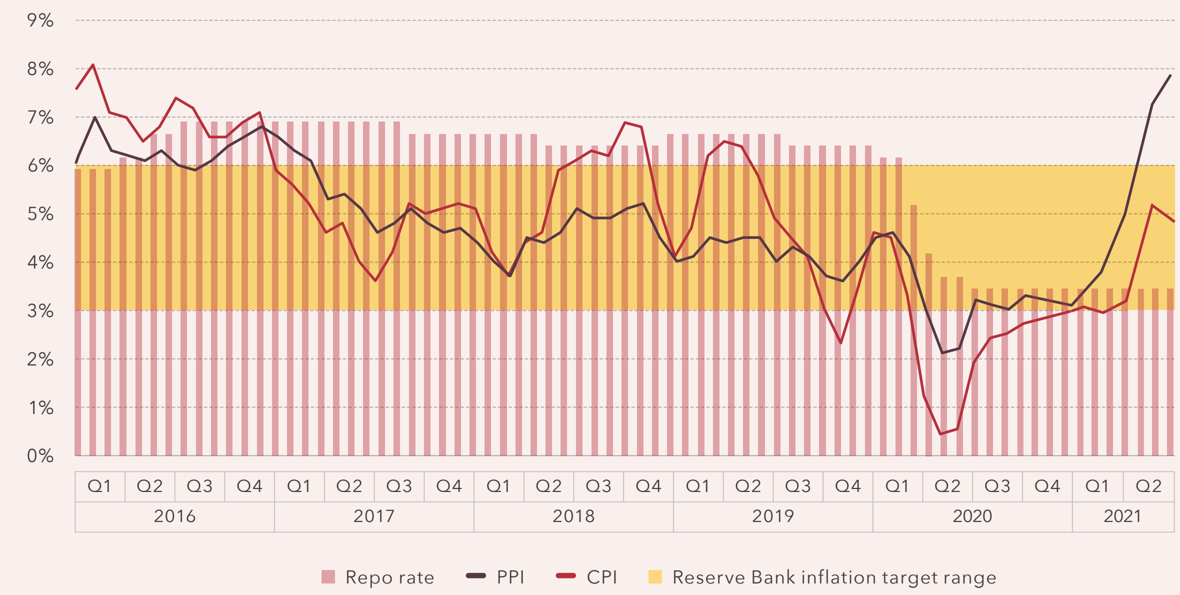
According to Statistics South Africa (2021), the main contributors to the overall CPI inflation rate for June 2021 included food and non-alcoholic beverages, housing and utilities, transport, and miscellaneous goods and services. According to the Monetary Policy Committee (MPC) statement of May 2021 (South African Reserve Bank [SARB], 2021), the outlook for 2021 headline inflation has decreased marginally to 4,2% from a previous 4,3%, while the outlook for 2022 (4,4%) and 2023 (4,5%) remained unchanged. Furthermore, the MPC mentioned that, at a global level, various prices are rising quickly, ranging from raw materials to intermediate inputs in food, the latter applying upward pressure to domestic food prices. Petrol price inflation was forecasted down from 12,7% to 12,5% for 2021, although still relatively high. Electricity prices were revised significantly higher for 2021 (to 10,6% from the previous 9,7%). The MPC notes, however, that these upward pressure risks on headline inflation are expected to be offset by the appreciation of the rand, continued moderation of unit labour costs and "sustained economic slack", thus allowing for a more stable overall inflation performance for 2021.

For the second quarter of 2021, the PPI[2] increased considerably to an average of 7,3%, after averaging 4,2% in the previous quarter. The index recorded monthly readings of 6,7% in April, increasing further to 7,4% in May and to 7,7% in June 2021. At the start of the second quarter, the PPI moved outside the upper end of the inflation target range (6%) for the first time since the second quarter of 2019 and remained well above that level for the rest of the period. In addition, the PPI recording for June 2021 is the highest it has been since July 2014 (8%). The main inflationary contributors to the PPI in June (in terms of final manufactured products) were the prices of: coke, petroleum, chemical, rubber and plastic products; food products, beverages and tobacco products; and metals, machinery, equipment and computing equipment.

Since December 2020, the gap between the CPI and the PPI has increased significantly from 0,1 of a percentage point to 2,8 percentage points in June 2021, in favour of the latter index. The notably higher PPI may be indicative of the CPI continuing to edge towards and remain in the upper end of the inflation target range.

Figure 4 illustrates changes in the repurchase rate (repo rate). As indicated in the graph, the repo rate remained at 3,5% throughout the second quarter of 2021. According to the MPC statement (SARB, 2021), key reasons for the unanimous decision to keep the repo rate unchanged included the stable inflation outlook. The committee

FIGURE 4: CPI AND PPI TRENDS FOR SOUTH AFRICA, JANUARY 2016 TO JUNE 2021



Source: CPI and PPI, extracted from Statistics South Africa, 2021; repo rate extracted from SARB, 2021.

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

noted that despite the potential upward risk to inflation, it remains confident that inflation for 2021 will remain well controlled. The MPC further noted that "the policy stance and repurchase rate level remain highly accommodative and will remain so, even with steps taken to normalise interest rate levels in response to rising inflation". This continues to reflect the consideration given by the MPC to the ongoing challenges faced by households and businesses, while taking due cognisance of the national and global economic outlook in the midst of the Covid-19 pandemic.

GEOGRAPHICAL INFLATION

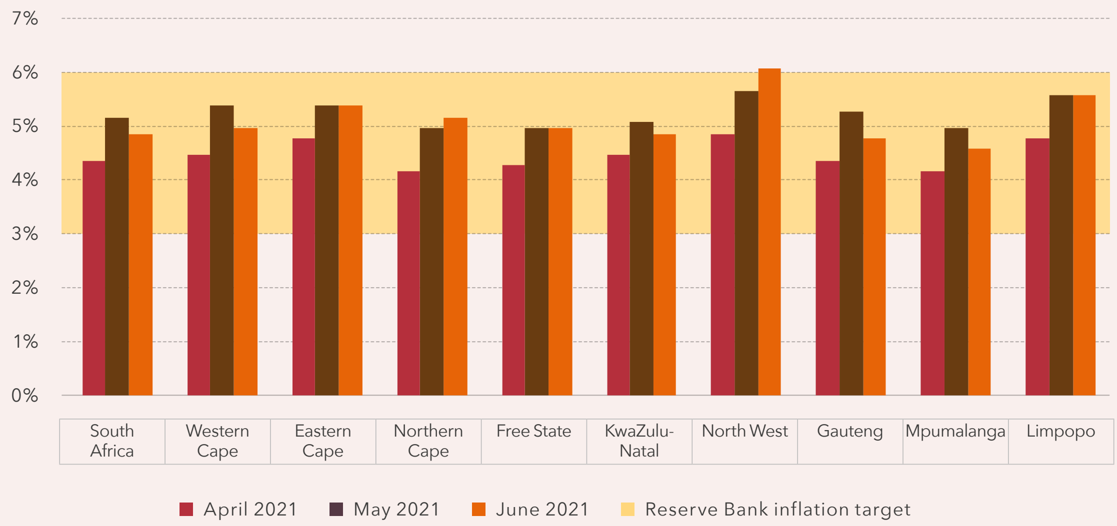
The Western Cape recorded an inflation rate of 5% at the end of the second quarter of 2021. This was significantly higher than the 3,4% at the end of the preceding quarter and also slightly higher than the national rate of 4,9% for the quarter under review. Figure 5 illustrates inflation rates recorded in the second quarter of 2021 across all nine provinces of the country. Compared to the end of the first quarter of 2021, all provinces experienced inflationary increases. However, at the end of June, the majority of the provinces recorded inflation within the target range of 3% to 6%. The North West was the only province that moved beyond the upper end of the inflation target range, with a recording of 6,1% for June 2021. In addition, the North West recorded the highest inflation rate for the quarter under review, with an average of 5,6%, followed by Limpopo (5,3%) and Eastern Cape (5,2%). The Western Cape's average inflation rate of 5,0% for this quarter was the fourth highest of all the provinces, while Mpumalanga (4,6%) recorded the lowest average inflation rate for the period.

As indicated in figure 6, the key categories for both South Africa and the Western Cape that contributed to the higher [overall] inflation recordings for the second quarter of 2021 were food and non-alcoholic beverages, alcoholic beverages and tobacco, as well as transport inflation, all of which recorded inflation rates close to, or above, the upper end of the target range (6%). The rest of the categories recorded inflation rates within the target range of 3% to 6%.

Food and non-alcoholic beverages price recorded inflation of 6,6% for June 2021 at both a national and provincial level, with [its sub-category of] food price inflation being the main driver for both. Food price inflation was slightly higher at a national level (7,0%) compared to the 6,9% at a provincial level. A notable difference between Western Cape and South Africa was shown in alcoholic beverages and tobacco price inflation (5,9% and 5,2% respectively), with [its sub-category of] tobacco price inflation (6,4% and 6,6% respectively) being the key driver at provincial level in June 2021.

Transport price inflation increased significantly when compared to the previous quarter, on both a national level (from an average of 1,7% to 12,2%) and [slightly higher at a] provincial level (from an average of 0,5% to 12,6%). This acceleration was largely driven by [its sub-category of] fuel price inflation for both the country and province. In June 2021, fuel recorded a higher inflation

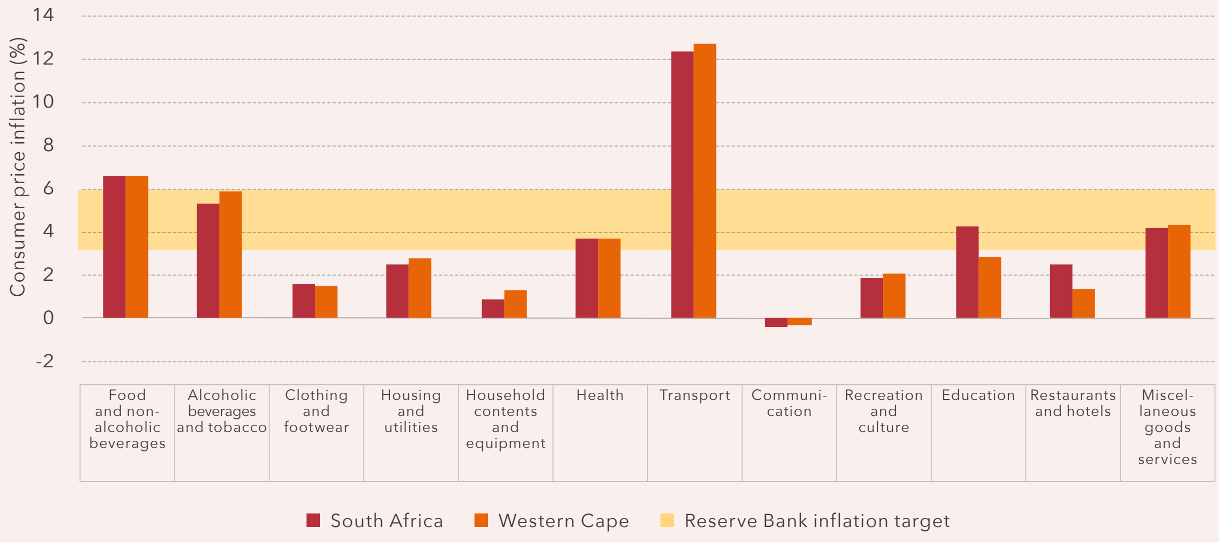
FIGURE 5: CPI INFLATION RATE AT A PROVINCIAL LEVEL, APRIL TO JUNE 2021



Source: Statistics South Africa, July 2021.

rate for the province than nationally (28,1% compared to 27,5% respectively). According to Stats SA, these high rates come "off a low base recorded during the second quarter of 2020, when fuel prices were depressed". It further stated that, during May 2020 the petrol price per litre[3] 'slumped' to R12,20, the lowest it has been since September 2016 (R12,17). However, it increased significantly to R17,13 in June 2021. This increase in petrol price was largely driven by the increase in the price of Brent crude oil to [an average of] US$66,06 per barrel for the quarter, significantly up from a previous [average of] US$28,84 per barrel in the same quarter in 2020.

FIGURE 6: AVERAGE CONSUMER PRICE INFLATION FOR THE WESTERN CAPE AND SOUTH AFRICA, 2021 Q2



Source: Statistics South Africa, July 2021.

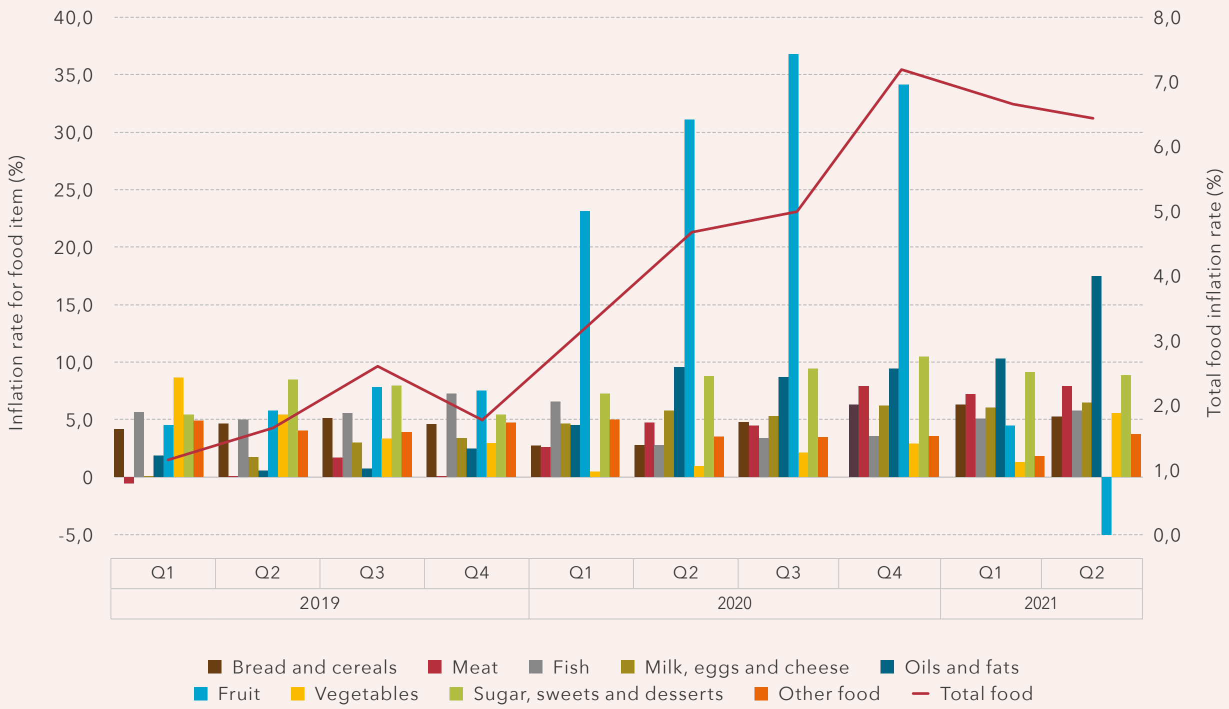
WESTERN CAPE FOOD INFLATION

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 increased to an average 6,7% in the second quarter of 2021, compared to 5,0% for the same period in 2020. The food items that demonstrated the highest average inflation rates in the second quarter of 2021 were: oils and fats (17,6%); sugar, sweets and desserts (9,0%); and meat (8,0%). The price of fruit experienced deflation of 5,0% in the quarter under review, which can be attributable to stronger volumes of fruit, signalling downward pressure.

Food prices in South Africa are expected to remain relatively elevated in the short- to medium term due to recent supply disruptions, which may have resulted in some degree of food scarcity. The recent unrest in major parts of the country resulted in panic buying as well as food and fuel supply constraints, worsening the upside risks to the food price outlook. Furthermore, the interrupted processing and distribution networks may lead to an upward strain on non-essential food items (Dludla, 2021). The rising prices of food, coupled with tariff increases for electricity, water, and other rates and taxes, are likely to continue to increase the cost of living for many South African households.

[3] *Price of inland 95-octane petrol.*

FIGURE 7: WESTERN CAPE FOOD PRICE INFLATION, 2019 Q1 TO 2021 Q2



Source: Statistics South Africa, July 2021.

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 (2020) suspended its face-to-face data collection process due to the Covid-19 pandemic. As a result, the mode of data collection for the Quarterly Labour Force Survey (QLFS) was changed 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, as well as for Q1 and Q2 of 2021. Statistics SA has indicated that with the lifting of lockdown restrictions, field work will commence. However, the process has not been without challenges. Further details on the methodology can be reviewed in the official QLFS publication http://www.statssa.gov.za/publications/P0211/P02112ndQuarter2021.pdf.

CAPE TOWN'S LABOUR MARKET PERFORMANCE

Cape Town's working age population (3,06 million) and the labour force (2 million) increased on both a quarter-on-quarter and year-on-year basis. Employment decreased quarter-on-quarter (-9 234), but increased at a year-on-year (53 859) level, recording a total of 1,45 million employed individuals. The labour absorption rate decreased from 47,9% to 47,5% when compared to the previous quarter of 2021. In contrast, the labour force participation rate increased from 65,3% to 65,5% in the second quarter of 2021. Both rates recorded increases when compared to the second quarter of 2020. Despite the positive year-on-year improvements, the labour force (down by 26 135 individuals) and employment (down by 136 710 individuals) levels remain lower than those of the second quarter of 2019.

The number of discouraged work seekers decreased on both a quarter-on-quarter (-20 938) and on a year-on-year (-14 184) basis to 16 279 individuals in the second quarter. The decrease in employment and the increase in searching unemployment outweighed the decreases recorded in the non-searching categories. This resulted in a higher broad unemployment rate of 29,8%, up from 29,6% in the first quarter. At 29,8%, Cape Town's broad unemployment rate remained lower than any of the other metros in South Africa. This is, however, the highest recording for the broad unemployment rate in the city since 2008.

TABLE 1: CAPE TOWN LABOUR MARKET INDICATORS

METRO	RECORDED			QUARTER-ON-QUARTER CHANGE	YEAR-ON-YEAR CHANGE	
	2021 Q2	2021 Q1	2020 Q2	(vs 2021 Q1)	(vs 2020 Q2)	(vs 2019 Q2, pre-pandemic)
Working-age population	3 060 881	3 047 755	3 008 114	13 126	52 767	107 190
Broad labour force	2 068 137	2 074 906	1 966 337	-6 769	101 800	-22 861
Strict labour force	2 004 333	1 989 091	1 720 324	15 242	284 009	-26 135
Employed: Total	1 452 039	1 461 273	1 398 181	-9 234	53 859	-136 710
Employed: Formal sector	1 207 579	1 224 236	1 178 490	-16 657	29 089	-72 442
Employed: Informal sector	152 140	160 090	134 572	-7 950	17 567	-58 671
Unemployed (strict)	552 293	527 818	322 143	24 475	230 150	110 576
Not economically active	1 056 549	1 058 364	1 287 790	-1 815	-231 242	133 324
Discouraged work seekers	16 279	37 216	30 463	-20 938	-14 184	2 383
Other not economically active	1 040 270	1 021 448	1 257 328	18 822	-217 058	130 941

Source: Statistics South Africa, Quarterly Labour Force Survey, 2021 Quarter 2, August 2021.

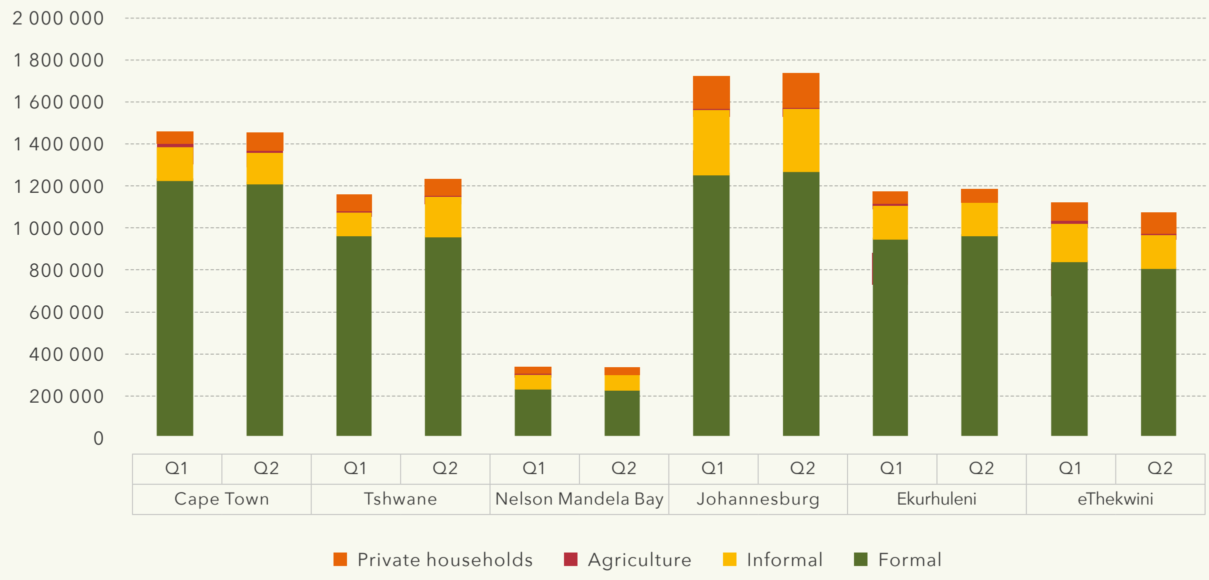
EMPLOYMENT COMPARISON OF METROS

When measuring Cape Town's job creation performance, a comparison with other metropolitan municipalities (metros)[4] in the country is helpful. In the second quarter of 2021, Cape Town continued to have the second largest number of employed people, at 1,45 million individuals. This is second only to Johannesburg, where 1,74 million people were employed. This is to be expected, as Johannesburg has a significantly larger population than Cape Town.

As can be seen in Figure 8, the country's metros delivered mixed performance, with three of them recording increases in total employment in the second quarter of 2021, compared to the first quarter, and the same number showing decreases. Tshwane added the most to employment (74 689 jobs) followed by Johannesburg and Ekurhuleni (20 131 and 13 269 jobs added respectively). Tshwane's employment growth was largely driven by informal employment (80 632 jobs added), while Johannesburg and Ekurhuleni's employment increases were driven by formal employment (16 034 and 18 149 jobs added respectively).

For Cape Town, formal employment and informal employment decreased on a quarter-on-quarter basis (-16 657 and -7 950 respectively), while increasing on a year-on-year basis (29 089 and 17 567 respectively), to record totals of 1,2 million formally employed and 152 140 informally employed individuals. Employment gains (of 19 657) were recorded in private households, while agriculture shed jobs (by 4 283) for this quarter. When comparing employment levels to pre-pandemic levels, formal and informal employment figures remain lower when compared to the same period in 2019 (-72 442 and -58 671 individuals respectively), as shown in table 1.

FIGURE 8: EMPLOYMENT COMPARISON WITH OTHER METROS BY MAJOR SECTOR, 2021 Q2 VERSUS 2021 Q1



Source: Statistics South Africa, Quarterly Labour Force Survey, 2021 Quarter 2, August 2021.

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

UNEMPLOYMENT IN CAPE TOWN

The number of (searching) unemployed people in Cape Town increased on a quarter-on-quarter (24 475) and on a year-on-year basis (230 150) to record 552 293 individuals at the end of the second quarter of 2021. The decrease recorded in employment and the increase recorded in unemployment resulted in a higher strict unemployment rate (27,6%) when compared to the previous quarter (26,5%). This is the highest strict unemployment rate recorded in Cape Town since the implementation of the QLFS in 2008. The number of (searching) unemployed (up by 110 576 individuals) and not economically active (up by 133 324 individuals) people remains substantially higher when compared to the second quarter of 2019, as shown in table 1.

The youth unemployment rate in Cape Town, defined as the strict unemployment rate for individuals aged 15 to 24, was estimated at 57,1% in the second quarter of 2021, having increased significantly from 52,6% in the previous quarter. On a year-on-year basis, youth unemployment increased from the 37,7% recorded in the same period of 2020 and from 44,6% recorded in the second quarter of 2019, highlighting the impact of the pandemic. While this remains below the national youth unemployment rate of 64,4% recorded in the second quarter of 2021 (increasing slightly from 63,3% 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 at 26% (up from the previous quarter's 20,6%), while Cape Town had the lowest expanded unemployment rate of 29,8% (up from the previous quarter's 29,6%) when compared to all the other metros.

TABLE 2: UNEMPLOYMENT RATE COMPARISON OF METROS, 2021 Q2 VERSUS 2021 Q1, 2020 Q2 AND 2019 Q2

METRO	OFFICIAL (STRICT)				EXPANDED (BROAD)			
	2021:Q2	2021:Q1	2020:Q2	2019:Q2	2021:Q2	2021:Q1	2020:Q2	2019:Q2
Cape Town	27,6%	26,5%	18,7%	21,8%	29,8%	29,6%	28,9%	24,0%
eThekwini	26,0%	20,6%	8,2%	21,9%	36,9%	34,9%	37,8%	30,5%
Ekurhuleni	33,1%	34,4%	25,3%	31,8%	39,2%	41,3%	38,1%	36,0%
Johannesburg	37,3%	34,1%	29,2%	23,7%	43,6%	41,8%	39,7%	33,4%
Nelson Mandela Bay	39,8%	39,2%	40,4%	36,4%	40,2%	39,3%	43,2%	37,8%
Tshwane	35,8%	36,7%	24,8%	29,9%	38,5%	40,3%	35,7%	33,4%

Source: Statistics South Africa, Quarterly Labour Force Survey, 2021 Quarter 2, August 2021.

Four metros experienced an increase in their strict unemployment rate, while two experienced a decrease when compared to the first quarter of 2021. eThekwini recorded the highest increases in both its strict (up by 5,3 percentage points to 26,0%) and broad (up by 2 percentage points to 36,9%) unemployment rates. Ekurhuleni recorded the largest decreases in both its strict (down by 1,3 percentage points to 33,1%) and broad (down by 2,1 percentage points to 39,2%) unemployment rates. Cape Town recorded an increase in both its strict (up by 1,0 percentage point to 27,6%) and broad (up by 0,2 of a percentage point to 29,8%) unemployment rates.

Nelson Mandela Bay recorded the lowest difference between its two rates of unemployment (0,4 of a percentage point). eThekwini recorded an 11 percentage point difference, which is the largest of all the metros. Cape Town had a difference of 2,2 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 other metros.

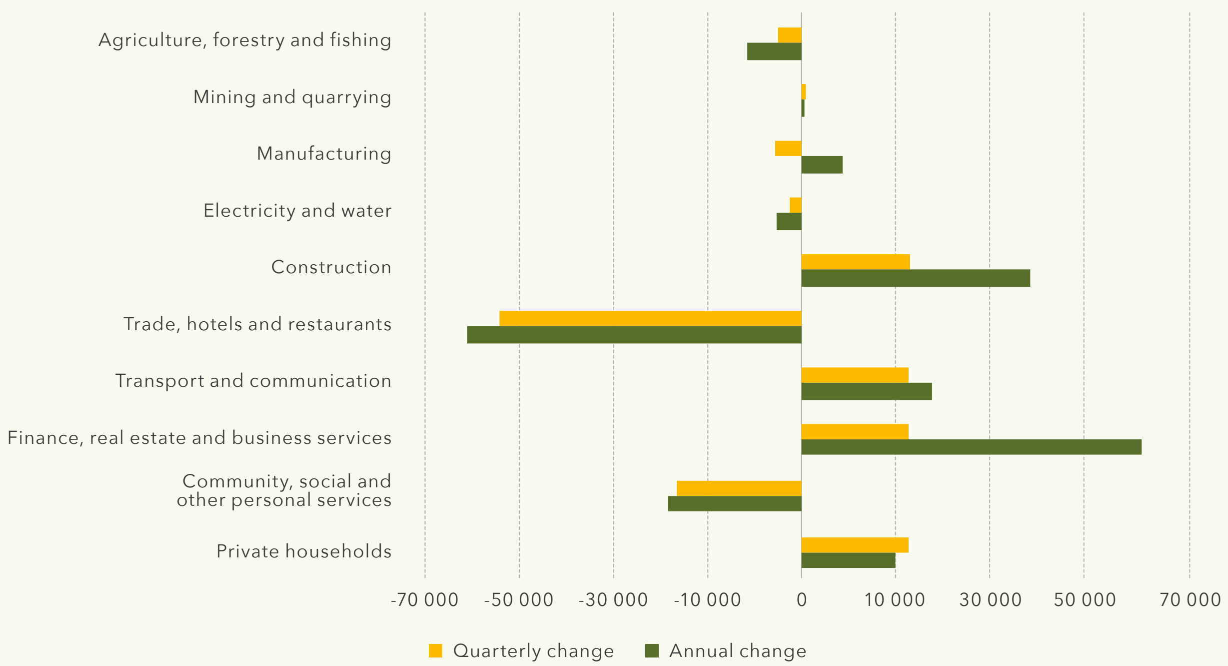
SECTOR EMPLOYMENT TRENDS FOR CAPE TOWN

Figure 9 presents the change in the level of employment by sector in Cape Town in the second quarter of 2021. Five sectors added positively to employment growth on a quarter-on-quarter basis, while five detracted from it. The construction sector contributed the most to employment growth (19 921 jobs), followed by private households (19 657 jobs) and transport and communication (19 643 jobs). The finance, real estate and business services sector, also contributed significantly to employment growth (19 571 jobs), while the mining and quarrying sector recorded a minimal contribution of 717 jobs.

The trade, hotels and restaurants sector recorded the largest decrease of 55 111 jobs, as the tourism sector continues to struggle and consumer confidence remains low due to the ongoing pandemic. This was followed by the community, social and other personal services' sector (-22 845 jobs) and the manufacturing sector (-4 930 jobs). Agriculture, forestry and fishing, as well as the electricity and water sectors also recorded a notable number of job losses (down by 4 283 and 2 254 jobs respectively) when compared to the previous quarter.

Six sectors have shown signs of recovery, recording year-on-year employment gains compared to the second quarter of 2020. In contrast, four sectors displayed negative employment growth when compared to the same period in 2020. The finance, real estate and business services sector has added the most to employment (up by 62 103 jobs) followed by the construction (41 864 jobs) and transport and communication (23 752 jobs) sectors. Employment gains were also recorded in the private households (up by 17 130 jobs), manufacturing (up by 7 633 jobs), and mining and quarrying (up by 617 jobs) sectors. Similar to their quarterly performance, trade, hotels and restaurants recorded the largest decrease of 61 121 jobs, followed by the community, social and other personal services (down by 24 383 jobs), and agriculture, forestry and fishing (down by 9 928 jobs) sectors. The electricity and water sector, also, displayed negative year-on-year employment growth (- 4 489 jobs).

FIGURE 9: QUARTERLY AND ANNUAL CHANGE IN EMPLOYMENT PER SECTOR FOR CAPE TOWN, 2021 Q2



Source: Statistics South Africa, Quarterly Labour Force Survey, 2021 Quarter 2, August 2021.

06

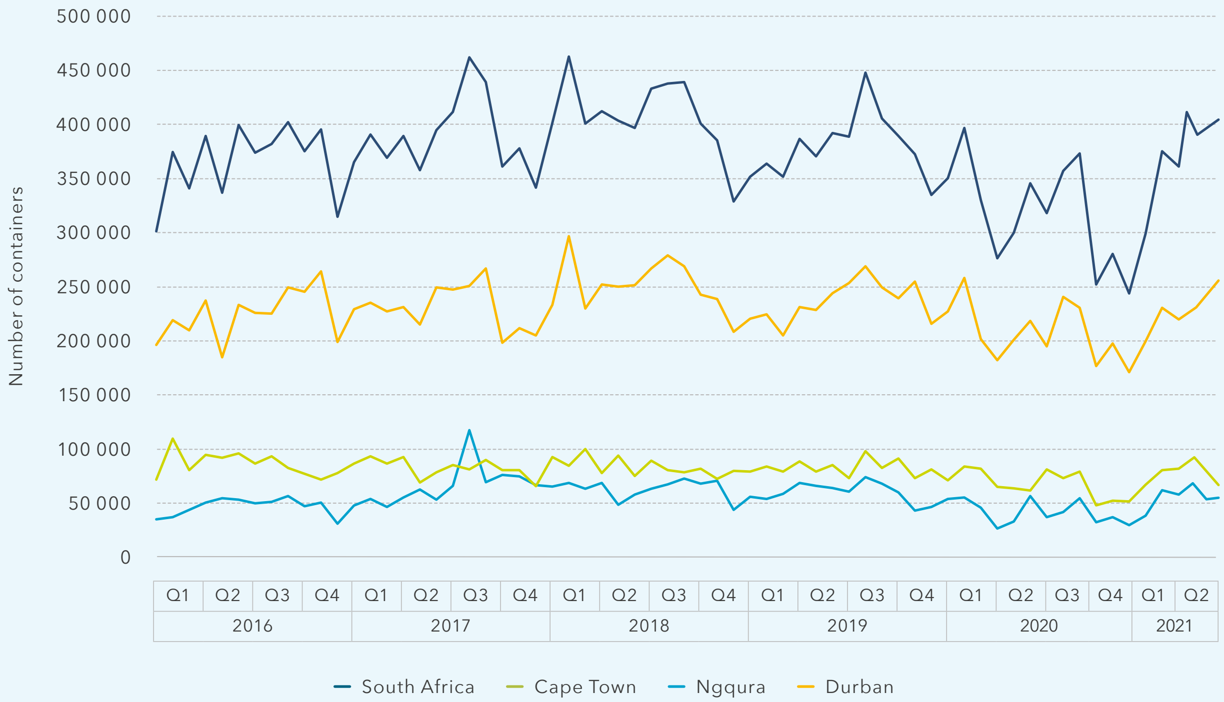
INFRASTRUCTURE AND TRADE

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 such, 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 second quarter of 2021, the Port of Durban[6] remained the largest container handling port in South Africa, handling a total of 738 406 TEUs, which accounted for 62,0% of all containers handled in the country. It was followed by the Port of Cape Town (19,4%) and the Port of Ngqura[7] (14,7%).

FIGURE 10: TOTAL CONTAINERS HANDLED (NATIONALLY), 2016 Q1 TO 2021 Q2



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

As shown in table 3, the total number of containers handled at South African ports in the second quarter of 2021 declined year-on-year. Containers handled nationally increased by 30,8%, from 910 190 TEUs in the second quarter of 2020 to 1 190 442 TEUs in the second quarter of 2021. The Port of Ngqura recorded the highest year-on-year increase (46,7%) of all these ports, while the Port of Cape Town experienced an increase from 161 780 TEUs in the second quarter of 2020 to 231 069 TEUs in the second quarter of 2021, reflecting a year-on-year increase of 42,8%. The higher performances recorded by the Ports of Ngqura and Cape Town, compared to the Port of Durban's lower year-on-year increase of 26,8%, is informed by their respective volume levels.

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 increase of 40,0% in TEUs landed, from 43 655 TEUs in the second quarter of 2020 to 61 114 TEUs in the second quarter of 2021. Furthermore, the number of TEUs shipped increased by 42,3%, from 65 507 TEUs in the second quarter of 2020 to 93 247 TEUs in the second

[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.*

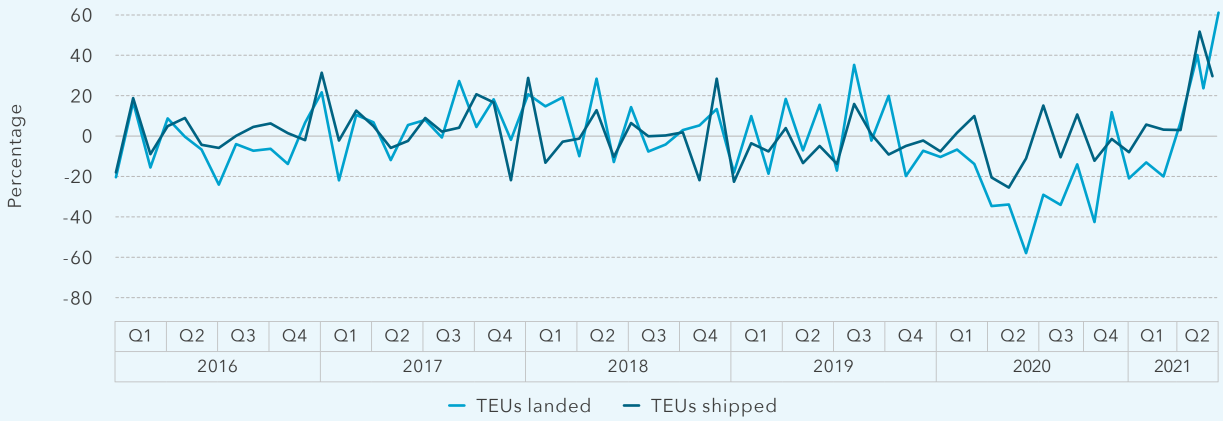
[7] *The Port of Ngqura is located in the Nelson Mandela Bay metro municipality.*

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

	2021 Q2	2021 Q1	2020 Q2	YEAR-ON-YEAR CHANGE
South Africa	1 190 442	1 026 521	910 190	30,8%
Cape Town	231 069	202 280	161 780	42,8%
Durban	738 406	632 209	582 531	26,8%
Ngqura	174 601	161 667	119 028	46,7%

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

FIGURE 11: ANNUAL CHANGE IN TEUs HANDLED AT THE PORT OF CAPE TOWN, 2016 Q1 TO 2021 Q2



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

quarter of 2021. However, when comparing the second quarter's TEU movements to those of the second quarter of 2019, the figure for TEUs landed remains 19,6% lower (in 2021), while the TEUs shipped figure displays a 14,8% increase. This reflects the port's recovery from the previous year and demonstrates the continued resilience of Cape Town's export industries, while import industries remain subdued.

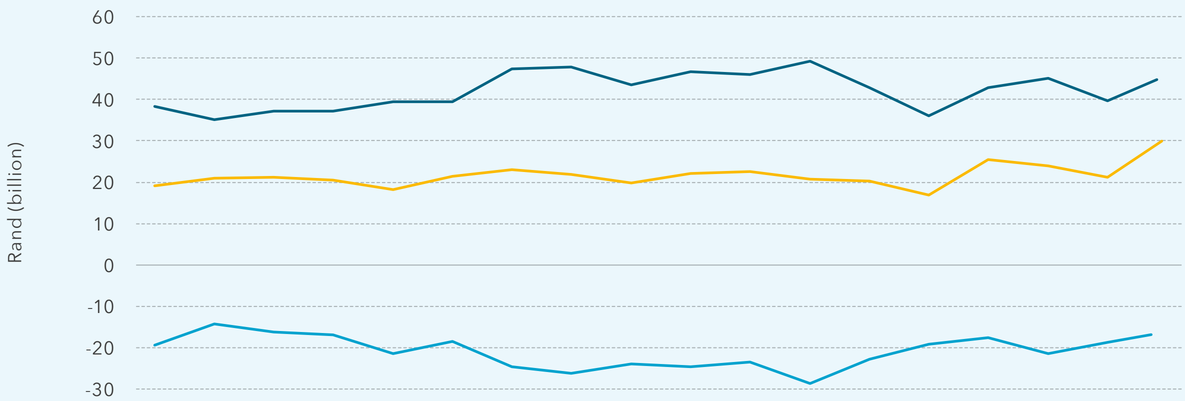
As part of government's Economic Reconstruction and Recovery Plan, the President announced that the Transnet National Ports Authority will become an independent subsidiary of Transnet, allowing it to implement targeted investment decisions. The country's ports will also continue to undergo refurbishments aimed at tackling various structural challenges in order to improve the authority's efficiency and global rankings. The separation of roles will enable operating divisions to work autonomously with improved efficiency and effectiveness. The announcement also means revenues made by the ports can be re-invested in port infrastructure, including the replacement of old equipment and upgrading and expanding the ports. The restructure will therefore ensure an improved port system, open up investment opportunities and promote collaboration with the private sector (Silaule, 2021).

CAPE TOWN TRADE

The second quarter of 2021 saw both Cape Town's imports and exports increase as illustrated in figure 12, which shows the quarterly trade balance for Cape Town. From the first quarter to the second quarter of 2021, exports increased by 35,6% to R29,8 billion and imports increased by 7,7% to R45,7 billion. Although the value of exports was the highest on record, 21,2% of this was made up of crude petroleum exports, a product that is not produced locally. The large value export of this product may have been driven by the presently inactive Astron refinery, coupled with improved crude oil prices.

The value of exports, when compared to the second quarter of 2020, increased by 73,3%. As that specific period was subject to level 5 lockdown restrictions, it is worth also comparing the second quarter of 2021 to the second quarter of 2019. This comparison sees growth in exports of 33,4%, signifying that exports have surpassed pre-Covid-19 levels. The value of imports increased by a lower 26,1% year-on-year due to suppressed consumer demand. This is reaffirmed in the comparison with 2019 second quarter figures, which indicate a 2,3% decline in imports.

FIGURE 12: CAPE TOWN'S TRADE BALANCE, 2017 Q1 TO 2021 Q2



	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	2017				2018				2019				2020				2021	
Export	38,6	35,4	37,5	37,5	39,7	39,8	47,4	47,9	43,6	46,8	46,1	49,3	43,1	36,2	42,9	45,3	42,4	45,7
Import	19,3	21,2	21,4	20,8	18,5	21,5	23,1	22,1	20,0	22,3	22,7	20,9	20,5	17,2	25,5	24,0	22,0	29,8
Trade balance	19,3	14,2	16,1	16,7	21,2	18,2	24,4	25,8	23,6	24,4	23,4	28,3	22,5	19,0	17,4	21,4	20,4	15,9

Source: Quantec, 2021.

Cape Town's top 10 exports in the second quarter of 2021, shown in table 4, account for over half (53,0%) of total exports. When compared to the second quarter of 2020, the period hardest hit in terms of the Covid-19 lockdowns, the largest year-on-year decline in export value (-21,5%) is observed for frozen fish, excluding fillets. This lower figure was, however, still a 20,2% increase on that of quarter 2 of 2019.

The large value increase in the export of crude petroleum oil exports was partly due to the fire at the Astron refinery in Cape Town last year, which caused the entity to remain offline in the second quarter of 2021. It is expected to remain offline until 2022 (Hellenic Shipping News, 2021). Cape Town exported a large portion of its crude petroleum to Korea and China, most of which was not imported in this quarter, but may have been stored at the Astron refinery. Refined petroleum was the highest value import (R16,8 billion) into Cape Town in the second quarter of 2021, again due to the refinery being offline.

Citrus, and apples and pears were the second and fourth largest export categories in the second quarter of 2021 respectively, even though they experienced declines compared to the second quarter of 2020. Exports of yachts and jewellery with precious metal increased by 481,6% and 365,2% year-on-year, and by 4,6% and 88,0% when compared to the second quarter of 2019. Engine parts and beauty products were other luxury categories that remained in the top 10 exports and experienced year-on-year increases of 550,0% and 33,2% respectively. While these luxury items experienced an increase in demand, other categories such as wine and cigarettes did not make the top 10 exports for this quarter and recorded declines of -14,6% and -30,9%, respectively, when compared to the second quarter of 2019.

TABLE 4: CAPE TOWN'S TOP 10 EXPORTS, 2021 Q2

CAPE TOWN'S TOP EXPORT CATEGORIES FOR 2021 Q2 (HS 4)[8]	ZAR MILLION	% OF TOTAL EXPORTS
Crude petroleum oils	R6 444,7	21,6%
Citrus	R2 340,2	7,9%
Refined petroleum oils	R1 726,4	5,8%
Apples and pears	R1 653,4	5,6%
Yachts and other pleasure vehicles	R652,8	2,2%
Jewellery with precious metal	R645,4	2,2%
Engine parts	R639,0	2,1%
Beauty and make-up	R621,0	2,1%
Fish fillets	R603,0	2,0%
Frozen fish, excl. fillets	R453,8	1,5%
Total of top 10 export categories	**R15 779,6**	**53,0%**
Total of ALL products	**R29 778,5**	**100,0%**

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

[8] *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

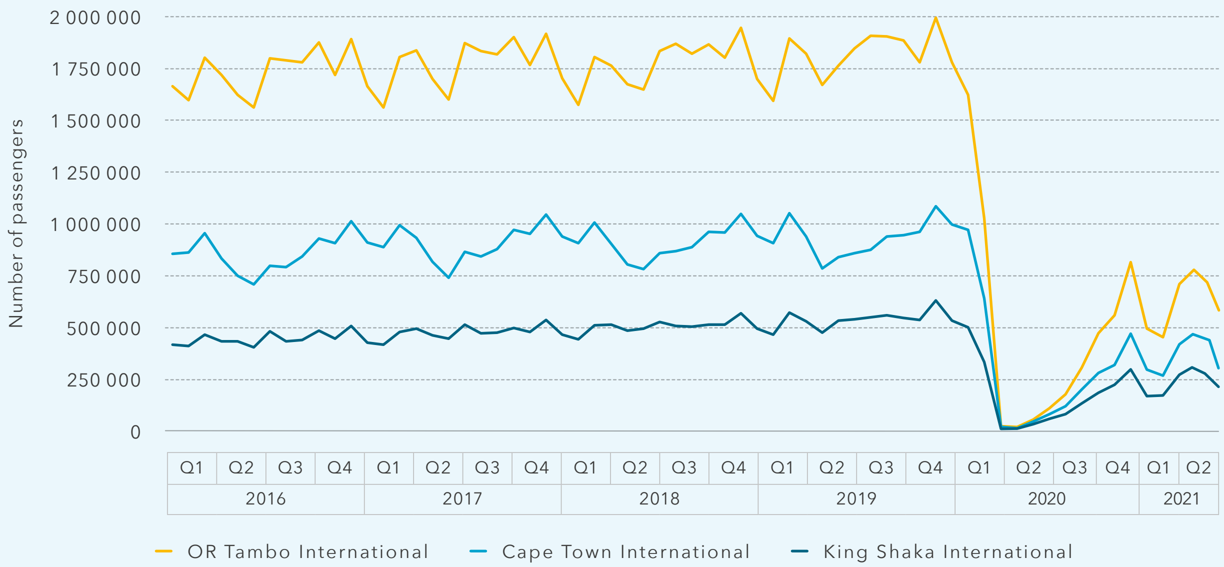
South Africa's international airports showed record-low passenger numbers in the second quarter of 2020 as a result of local and international border and travel restrictions associated with the pandemic. As countries faced various waves of the pandemic, restrictions were eased and tightened at various times throughout the year.

Cape Town International Airport is South Africa's second-busiest airport, after OR Tambo International Airport in Johannesburg. It recorded 1,2 million total passenger movements (arrivals and departures) in the second quarter of 2021, compared to 2,1 million passenger movements at OR Tambo International and 770 523 at King Shaka International during the same period. To account for seasonal trends, passenger statistics are best analysed at a year-on-year level. Since the start of the pandemic's impact, the second quarter of 2021 marked the return of positive year-on-year performance at these airports. However, due to the significant disruption to air travel in 2020, and the subsequent low passenger movements, the year-on-year performances recorded for the second quarter of 2021 are amplified (on average exceeding 3 000%) due to the low base numbers of the second quarter of 2020. It is therefore more appropriate to compare the performance of the second quarter of 2021 to the same period in 2019.

Despite the continued increase in air travel throughout the latter half of 2020, total passenger movements remain significantly lower than in 2019. Total passenger movements at Cape Town International in the second quarter of 2021 were 52,7% lower than in the second quarter of 2019. Similarly, passenger movements for OR Tambo and King Shaka International Airports were 60,3% and 48,6% lower, respectively, when compared to the same period in 2019. This shows that, despite the easing of travel restrictions both locally and abroad, air travel has not returned to pre-pandemic levels yet, as illustrated in figure 13.

The significantly low air passenger movements are not only indicative of international travel constraints and the higher costs associated with 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. In the second quarter of 2021, only 11,6% of total passenger movements at South Africa's international airports constituted international arrivals, compared to 29,2% recorded in the second quarter of 2019. However, international travel is likely to pick up, albeit slowly, as airlines resume flights to South Africa and the African continent (Casey, 2021). Furthermore, cognisant of the wide-ranging impact that the pandemic has had, Airports Company South Africa (ACSA) is "conscious of its responsibilities and role in being a catalyst for recovery in passenger travel and air cargo growth". As such, ACSA has identified several growth initiatives and remains committed to fostering economic growth and development, notably in and around its three international airports (Independent Online, 2021).

FIGURE 13: TOTAL (MONTHLY) PASSENGER MOVEMENTS AT SOUTH AFRICA'S MAJOR AIRPORTS, 2016 Q1 TO 2021 Q2



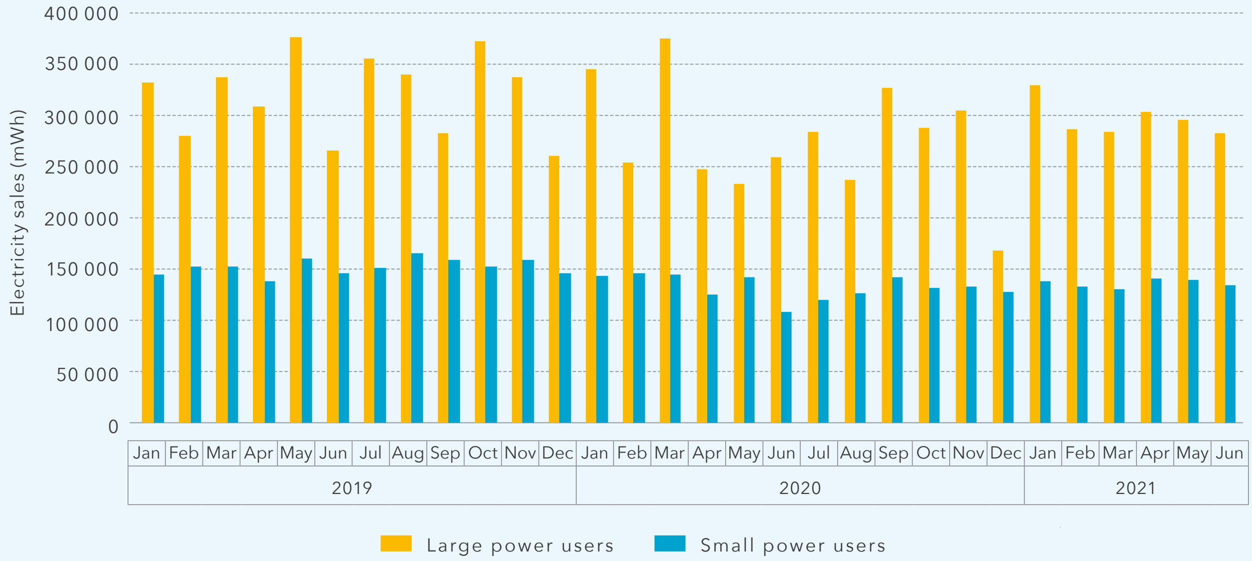
Source: Airports Company South Africa, August 2021.

COMMERCIAL AND INDUSTRIAL ELECTRICITY USAGE

Electricity is an important driver of economic activity as it is a key input in most production processes. This is especially true in economies with greater proportions of secondary and tertiary sector activities, such as those of South Africa and Cape Town. Consumption of electricity by large power users (LPUs) and small power users (SPUs) is therefore a good indicator of production levels in the manufacturing sector. According to the City's electricity sales data to LPUs and SPUs, 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 in May 2020 resulted in an upswing in electricity consumption.

Despite the further easing of lockdown restrictions through the remainder of 2020, commercial and industrial electricity sales fluctuated between July and November, before decreasing significantly in December 2020 as businesses closed for the holidays. The resumption of economic activity in January 2021 led to a rise in electricity sales, but this was followed by reductions in February and March 2021. Monthly electricity sales to LPUs and SPUs increased again in April 2021, before declining in the rest of the second quarter of 2021, as illustrated in figure 14. These decreases in sales can partly be attributed to load-shedding.

FIGURE 14: CAPE TOWN'S COMMERCIAL AND INDUSTRIAL ELECTRICITY USAGE JANUARY 2019 TO JUNE 2021



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

Electricity sales to commercial and industrial customers in the second quarter of 2021 was 16,2% higher than in the corresponding period in 2020. In April 2021, combined electricity sales to LPUs and SPUs increased by 19,4% year-on-year. This growth, however, was off a low base as South Africa was on lockdown alert level 5 in April 2020, with only essential businesses allowed to operate. Electricity sales, on a year-on-year basis, continued to increase in May and June 2021, by 15,8% and 13,4% respectively. These increases were, similarly, off a low base as restrictions on business operations remained despite the country moving to alert levels 4 and 3 in May and June 2020 respectively. Nonetheless, growth in electricity sales in the second quarter of 2021 is indicative of increased manufacturing activity in Cape Town and signals that the economy has started to recover from the negative impact of the Covid-19 pandemic.

07

TOURISM

Owing to its unique location and geology, Cape Town is one of the most scenic and recognisable cities in the world. The City boasts an abundance of world-class attractions, principal among which is one of the New7Wonders 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 among the hardest hit. While some activity began resuming from 1 June 2020, and the subsequent further easing of restrictions over the remainder of 2020 allowed for increased activity in the sector (South African Government, 2020b, 2020c; Ramaphosa, 2020a), levels remain significantly low.

While data collection within the tourism industry experienced major disruptions for the majority of 2020 due to the impact of the pandemic,[9] Cape Town Tourism (CTT, 2021) has resumed survey activity for the local accommodation sector. Where its previous surveys recorded an average of around 100 responses per month prior to the pandemic, its Cape Town Accommodation Performance Review for the period April to May 2021 had a total response rate of only 42 tourism accommodation establishments, of which 90% are based in the Cape Town metropolitan area. Of the responses, 88% reported that they were open during the review period, while the remaining 12% were closed. Of those that were closed, approximately 60% noted that their establishment would not re-open, with the remaining 40% indicating the potential – albeit uncertain – to re-open in the future.

As the majority of accommodation establishments would have either been closed, or at extremely low capacity, in the second quarter of 2020 due to the nationwide lockdown restrictions applicable at the time, CTT provided an analysis of the second quarter of 2021 compared to the same period in 2019. As illustrated in table 5, occupancy rates at city accommodation establishments in the second quarter of 2021 remain on average 12,9 percentage points lower than in the second quarter of 2019. Similarly, the average room rate remains R667 lower, while the revenue per room rate remains R502 lower in the second quarter of 2021 than the same period in 2019. Alongside low international travellers, this illustrates how the accommodation sector still has a long path of recovery in returning to pre-pandemic levels.

While lockdown restrictions were intensified in the first quarter of 2021 as government sought to contain South Africa's second wave of the Covid-19 pandemic, these restrictions were gradually eased from March 2021. However, the more stringent controls were again implemented in June 2021 in an attempt to limit the impact of the third wave. However, despite the higher lockdown levels at that time, establishments and visitor attractions were still able to remain open (South African Government News Agency, 2021; Qukula, 2021).

Given that the tourism sector and the majority of its activities faced shutdown in the second quarter of 2020, all of Cape Town's five major tourist attractions[10] recorded zero visitor numbers during that period. When compared to their performance in the second quarter of 2019, visitor numbers were 69,6% lower in the second quarter of 2021. On a slightly more positive note, four of the five major tourist attractions recorded quarter-on-quarter increases in the second quarter of 2021, albeit at still fairly low rates.

TABLE 5: TOURIST ACCOMMODATION INDICATORS, 2021 Q2

INDICATOR	APRIL		MAY		JUNE		SECOND-QUARTER AVERAGE	
	2021	2019	2021	2019	2021	2019	2021	2019
Occupancy rate	47,1%	60,8%	40,9%	53,0%	Not included in resource.		44,0%	56,9%
Average room rate	R1 111	R 807	R1 028	R1 666			R1 070	R1 737
Revenue per room	R523	R1 098	R421	R850*			R472	R974

Source: Cape Town Tourism, 2021.

** Due to the limitations of the published reference document, an estimate of R850 is included for the analysis, based on the report.*

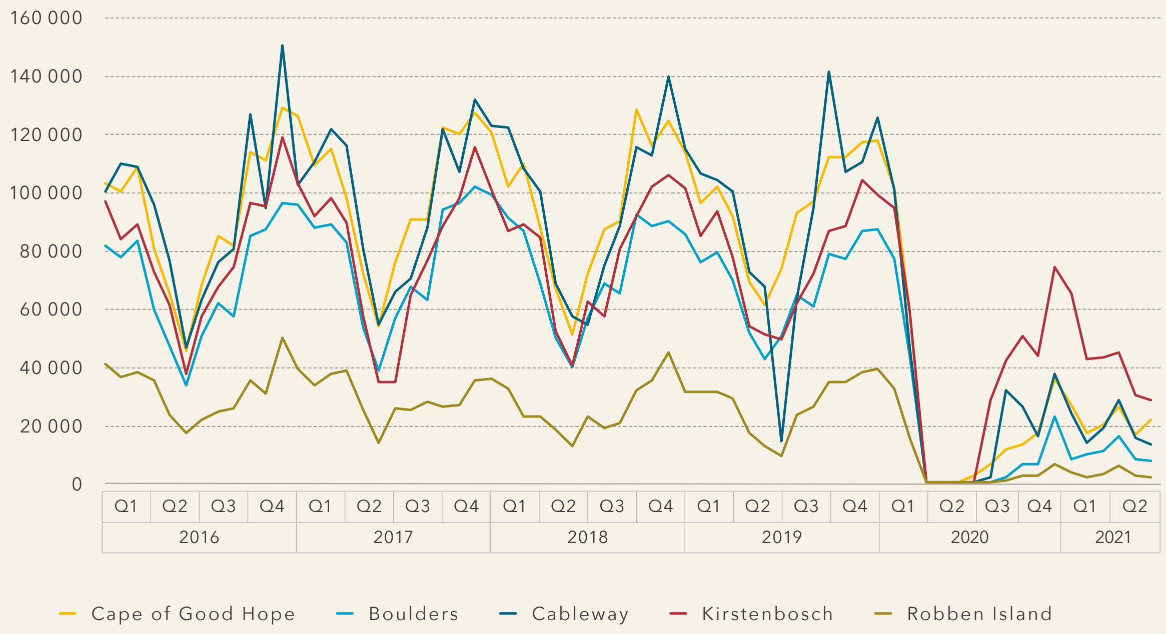
9 *As most accommodation establishments were closed or greatly restricted in their services and/or clientele during the respective lockdown levels, Cape Town Tourism thus could/did not conduct their [otherwise] monthly accommodation survey.*

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

In the second quarter of 2021, Kirstenbosch National Botanical Gardens recorded the highest number of visits (102 519). This was, however, the only attraction to record a decline since the previous quarter (down 31,6%) and remains 43,6% lower when compared to the second quarter of 2019. Robben Island recorded the lowest visitor numbers (9 787) in the second quarter of 2021; while this showed the highest quarter-on-quarter increase (28,1%), it remains the highest decline (83,1%) when compared to the same period in 2019. Cape of Good Hope recorded 63 751 visitor numbers in the second quarter of 2021, and Table Mountain Aerial Cableway 56 358 visitor numbers, however, both these figures were over 70% lower than in the corresponding period in 2019. Boulders Beach recorded 30 425 visitor numbers, 81,3% lower when compared to the second quarter of 2019.

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 caused by the hard lockdown and closure of amenities in 2020, performance in the second quarter of 2021 remains dampened, largely attributable to the still significantly low numbers of international visitors and constrained household incomes. Despite this, the seasonality trend can still be seen as attractions have returned to being operational.

FIGURE 15: TOTAL (MONTHLY) VISITS TO THE TOP FIVE TOURIST DESTINATIONS OF CAPE TOWN, 2016 Q1 TO 2021 Q2



Source: Wesgro, August 2021.

08

ADDITIONAL INDICATORS

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

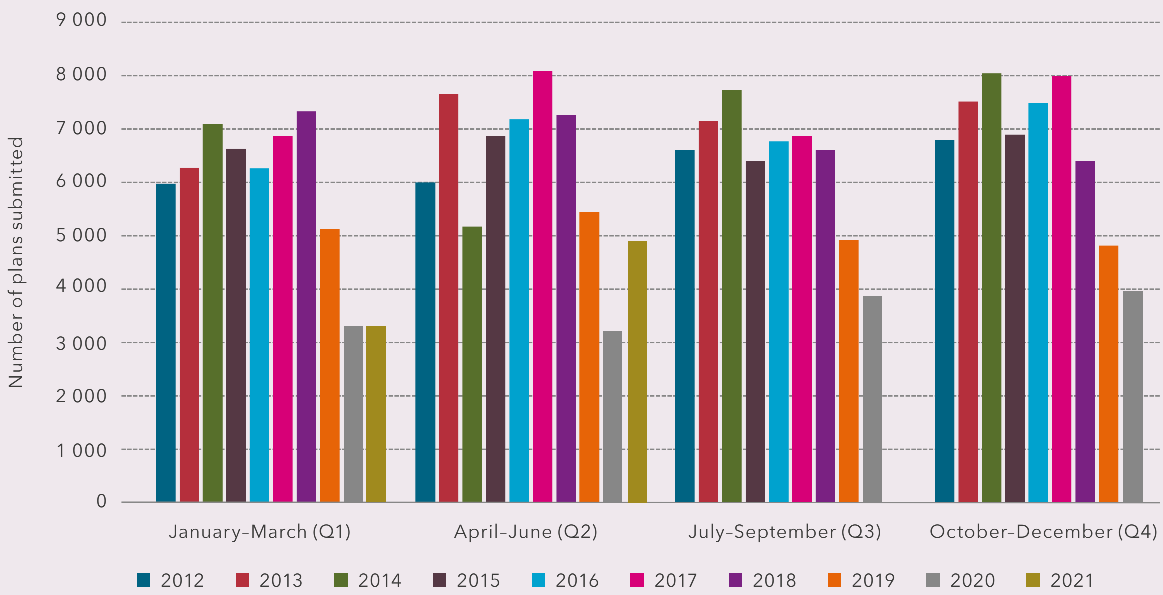
BUILDING DEVELOPMENTS

The economic growth data for the second quarter of 2021 show that national output in the construction industry declined by 5,3% quarter-on-quarter, thus struggling to maintain its recovery momentum since its significant decline in the second quarter of 2020 as a result of the nationwide lockdown. At a year-on-year level the sector recorded growth of 17,1% in the second quarter of 2021, its 9th consecutive year-on-year contraction.[11] The Western Cape's construction industry mirrored these national trends, recording a quarter-on-quarter contraction of 5,0%, while growing by 16,9% on a year-on-year basis in the second quarter of 2021 after 13 consecutive quarters of year-on-year contractions (Quantec, 2021). The sector's positive year-on-year performance in both the national and provincial economies, should be viewed in the context of the extremely low base recorded in the second quarter of 2020 at which time the country was subject to its highest lockdown level.

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 (BCI)[12] continued recovering, rising 12 index points in the second quarter of 2021 to record 39 index points. Despite the positive gains, 60% of the survey respondents remain dissatisfied with the prevailing business conditions within the sector. According to an FNB senior economist, these gains are not indicative of recovery within the sector as the sub-index for main contractors remains low (22 index points). Hardware retailer confidence reached a level of 65 in the second quarter of 2021, its highest level since 2007, which may be attributed to generally higher levels of small-scale or DIY projects observed in the industry alongside increased work-from-home levels. Furthermore, it is noted that "if the makers of building materials and hardware retailers were excluded from the calculation, the overall BCI would have been a lowly 25 instead of 39" (Stoddard, 2021). The sluggish state of the sector is further illustrated in the City's building plans data, which show that in the second quarter of 2021, 30% of completions were categorised as residential and 19% non-residential, compared to 38% and 23%, respectively, in the second quarter of 2020, and 40% and 30%, respectively, in the second quarter of 2019 (pre-pandemic).

The tenuous state of the sector is further evident in the number of building plans submitted to the City for approval, which totalled 4 926 in the second quarter of 2021. While this is a 50,0% increase on the previous quarter, as well as a 52,7% increase compared to the second quarter of 2020, it remains lower by 9,5% when compared to the second quarter of 2019. 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.

FIGURE 16: BUILDING PLANS SUBMITTED TO THE CITY OF CAPE TOWN, 2012 Q1 TO 2021 Q2



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

11 *This number (9) declined when compared to previous reporting (e.g. 16 reported in EPIC 2021 Q1 edition), as a result of Stats SA's rebasing and benchmarking exercise and the subsequent revisions to the economy activity data (see Economic Growth).*

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

NEW VEHICLE SALES

Total vehicle market sales in the Western Cape experienced an increase of 4,9% (606 units), recording 12 882 units sold in the second quarter of 2021, compared to 12 276 units sold in the first quarter of 2021. On a year-on-year basis, vehicle sales experienced an increase of 173,7% (8 175 units) from a low base of 4 707 vehicles sold in the same period of 2020. Passenger vehicle sales in the Western Cape, which represent the private consumer segment of the market, increased from 7 982 vehicles in the first quarter of 2021 to 8 523 vehicles in the second quarter of 2021. The year-on-year results showed an increase of 172,0% (5 389 units) from a low base of 3 134 vehicles sold in the second quarter of 2020. At a national level, passenger vehicle sales reported a year-on-year increase of 155,6% (42 397 units), increasing from 27 256 units in the second quarter of 2020 to 69 653 units in the second quarter of 2021. These year-on-year results indicate that the local automotive market is recovering from the previous year's hard lockdown, despite the ongoing challenges such as the weak economic climate, global shortages in semi-conductors, as well as the impact of the third wave of the Covid-19 pandemic. However, when comparing new vehicle sales to that of the second quarter of 2019, the figure recorded in the second quarter of 2021 still falls short, highlighting that the market has not yet returned to its pre-pandemic levels.

TransUnion's Vehicle Pricing Index (VPI) report shows that new passenger vehicle finance deals increased by 52% on a year-on-year basis in the second quarter of 2021, while used passenger vehicles finance deals increased by 70%, attributable to the sector recording no sales in April 2020 due to strict lockdowns regulations. The used-to-new ratio increased to 2,67 in the second quarter of 2021 from 2,31 in the same period of 2020, with car buyers choosing quality used vehicles over new purchases as the strain on disposable incomes persists. The VPI[13] for new and used vehicle pricing decreased to 6,1% and increased to 4,9%, respectively, in the second quarter of 2021, from 6,5% and 1,6%, respectively, for the same period in 2020.

Despite the expected improvement in the local automotive industry from 2020, the outlook suggests that the limited supply due to the effects of third-wave lockdown restrictions, coupled with the port delays as a result of the cyber attack on the port operating systems and civil unrest in KwaZulu-Natal and parts of Gauteng, which severely disrupted motor manufacturing operations and supply chains, may result in used vehicle price increases exceeding that of new vehicles in 2021 (BusinessTech, 2021). Furthermore, in the short term, the effects of consumer uncertainty and the disruptions in the supply chains are anticipated to ultimately delay vehicle buying, which may force car dealers to consider alternative income streams. In addition, lower sales volumes are likely to persist in the near term as vehicle prices are expected to continue to increase in real terms (Reddy, 2021). In the medium term, the ongoing electricity supply issues, the further waves of Covid-19 and the slow vaccine roll-out will remain key challenges to the recovery of the local automotive industry (NAAMSA, 2021b).

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

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ABBREVIATIONS

BCI:	Building Confidence Index
BER:	Bureau for Economic Research
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
HS:	Harmonised System
IMF:	International Monetary Fund
LPU:	large power users
MPC:	Monetary Policy Committee
NAAMSA:	National Association of Automobile Manufacturers of South Africa
PMI:	Purchasing Managers' Index
PPI:	producer price index
QLFS:	Quarterly Labour Force Survey
RMB:	Rand Merchant Bank
SA:	South Africa
SARB:	South African Reserve Bank
SPU:	small power users
TEU:	twenty-foot equivalent unit
TNPA:	Transnet National Ports Authority
US$:	United States dollar
VPI:	Vehicle Pricing Index
WC:	Western Cape
ZAR:	South African rand

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