



CITY OF CAPE TOWN
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INVEST CAPE TOWN

Economic Performance Indicators for Cape Town



2021 QUARTER 3

(July-September)

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FOREWORD

While 2021 was by no means an easy year for the majority of people and businesses around the world, I take great comfort from the successes that the City of Cape Town has achieved in creating access to opportunities. We have also learned many valuable lessons from the challenges we have faced, and these will stand us in good stead in the future.

Just one example of the aforementioned successes and opportunities is the official launch, in July 2021, of Cruise Cape Town, a partnership between the City of Cape Town, Wesgro, Transnet National Ports Authority, the Western Province Department of Economic Development and Tourism, the V&A Waterfront, and South African Maritime Safety. This initiative has the potential to deliver huge economic spin-offs, both in terms of passenger and crew spend in Cape Town and for the maintenance of cruise ships. I look forward to working closely with our partners in this initiative to realise these outcomes for the benefit of all Capetonians.

In September we marked Tourism Month under the banner of inclusive growth in the sector. It was an important moment to mark the value of an industry that employed 113 000 Capetonians back in 2018, but was one of the most severely affected by the pandemic, shedding a significant number of employment opportunities as a result.

The good news, however, is that in December, shortly after this tourism campaign launch, Cape Town recorded more than 19 000 passenger arrivals at the award-winning Cape Town International Airport, with more than 190 flights taking off and landing every day.

In the coming year, even greater emphasis will be placed on driving tourism enterprise growth. An example is the expanded roll-out of the Neighbourhood Experience Development training manual, a practical guide that includes guidance on guest management and business operations.

In terms of this focus on tourism growth, the Economic Growth Directorate's primary course of action in the coming years will be to restore and sustain traveller confidence, and to maintain measures that will boost capacity in the tourism sector. We will also continue to drive marketing, in partnership with Cape Town Tourism, that results in tourist prospect conversion, both domestically and from key source markets.

In fact, enabling such inclusive growth across sectors is the driving force behind the Economic Growth Directorate, and this objective informs all the work we do. The principle of inclusivity gave purpose to the conclusion of a long-term lease between the City of Cape Town and the Cape Town Market in Epping in July. The agreement has paved the way for a multimillion rand refurbishment project that will deliver significant benefits to SMMEs, emerging farmers, and consumers. Around 78% of the market's 7 500 active registered customers are small buyers, many of who play an essential role in ensuring food security for the poorest people in the city. As such, the priority with this transaction is to make sure that we create a fresh produce market that can serve as a vital and enabling cog in terms of sustainable food supply for the people of Cape Town.

In August 2021, the City's Business Hub marked its second year of helping aspiring and existing SMMEs and entrepreneurs to grow. Over the past two years, the Hub has responded to 5 000 service requests, and resolved 98% of them within two working days. In the year ahead, the helpdesk will run further supplier development programmes and take the mobile hub offering out on the road to assist businesses in the communities where they operate.

In December, the registration of the Atlantis Special Economic Zone Company (SOC) Ltd was finalised. This registration, and the resulting transfer of general industrial-zoned properties from the City to the SOC, means that the company is able to legally enter into contracts on the land with prospective bidders and provide economic stimulus for the surrounding community and Cape Town's green technology hub. It is now clearer than ever that clean energy is the way of the future. As such, the aspiration is for the Atlantis SEZ to become a continental leader in green technology.

Another area of economic opportunity identified by the City is immovable property. Real estate underpins several elements of our socioeconomic development, from jobs in sectors like construction to the generation of revenue that supports the ongoing delivery of municipal services. The approval of the sale of a site to Kwa Ace CC in Khayelitsha exemplifies this multibenefit relationship. The transfer of the property paved the way for the launch of the first luxury hotel in the area.

I, and my directorate, will continue to work to ensure the efficient and effective management and distribution of these types of assets via a variety of mechanisms, including virtual auctions, to ensure that all such land sale transactions are as accessible as possible to all prospective buyers.

The challenges we have faced together over the past two years have reminded us how a crisis – whether it be load-shedding, an unreliable railway, or even a pandemic – affects everyone from the business owner to the export trader to the jobless young person. It is these types of challenges that resulted in the economic downturn seen in several sectors in the Western Cape since 2019, and that led to a contraction of the province's GDP for the third quarter of 2021, mirroring the national GDP figures for the same period.

Despite this, data from Statistics South Africa revealed that Cape Town continues to be the South African metro with the lowest unemployment rate, on the expanded definition. I believe that this is proof that the City's targeted interventions, in several key high-growth sectors, are an effective strategy for job growth.

The Inclusive Economic Growth Strategy (IEGS), which was recently adopted by Council, sets out a plan to expand on this, and other similar strategies. Underpinned by principles such as competitiveness, sustainability, and collaboration, the IEGS is a robust action plan consisting of nearly 200 steps. It is broken down into short-, medium-, and long-term timeframes and aims to expand on our efforts to be an opportunity city for all who live here. The strategy incorporates the needs of Cape Town's formal sectors as well as those of emerging and informal economic ecosystems, in conjunction with spatial planning initiatives across the metropolitan region. It is our roadmap for a better economic future for all in Cape Town.

In closing, I want to thank the officials and colleagues who have worked and collaborated with me and the Economic Growth Directorate, not only in the third quarter of 2021, but since we first started seeing the fallout due to Covid-19 around two years ago.

I have been blessed with a dedicated and caring team of people who are committed to supporting each other and who believe passionately in public service. As we implement our plans for 2022, we remain cognisant of the fact that, whatever we are doing, our core focus must always be on building a more equal, inclusive and sustainable economy.



Alderman James Vos

Mayoral Committee Member
for Economic Opportunities
and Asset Management

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INTRODUCTION

This is the 34th edition of the EPIC publication, which presents and analyses economic (and related) trends in Cape Town on a quarterly basis. This edition focuses on quarter three of 2021, covering the period 1 July to 30 September 2021. Although the economy recovered somewhat in quarters 1 and 2 of 2021, this recovery trend did not continue in quarter 3.

GPD in the Western Cape, a proxy for GDP in Cape Town, performed better than expected in the first and second quarter of 2021. The third wave of Covid-19, and adjusted alert level 3 only began on June 16th, allowing for a measure of recovery in the first half of the year. The ability of many of the tertiary sectors to adapt to new working conditions, coupled with low interest rates and higher-than-normal exports, contributed to this faster-than-expected recovery. Seasonally adjusted and annualised provincial GDP growth in quarters 1 and 2 of 2021 was 3,7% and 4,2% respectively. Halfway through the year, the provincial GDP was 1,3% lower than GDP in 2019.

While not unexpected, the subsequent annualised contraction of 6% from quarter 2 to quarter 3 increased the 'recovery gap' to 2,8% below 2019 levels of GDP, with the restoration to 2019 GDP only likely to occur in the second half of 2022. The largest Western Cape contractions in quarter 3 of 2021 were seen in the agriculture, trade and hospitality, and manufacturing sectors. These declines were spurred by the impacts of the Covid-19 Delta variant on local and foreign markets. The looting shock in KwaZulu-Natal and Johannesburg had grave consequences for the retail and hospitality industry (-19% q-o-q), with the knock-on impact felt by major retailers headquartered in Cape Town. The Transnet cyber-attacks largely impacted the agriculture (-44% q-o-q) and manufacturing (-18% q-o-q) sectors that rely on the port for exports and imports. The impact of these attacks is also reflected in the quarter 3 trade data, with exports declining by 12,7%, and the number of twenty-foot equivalent units (TEUs) handled at Cape Town Port declining by 5% from quarter 2.

Unfortunately, the pace of economic growth in the first half of 2021 did not translate to meaningful employment gains. Results from the Quarterly Labour Force Survey (QLFS) for quarter 3, 2021 show the enduring consequences of Covid-19 on Cape Town's labour market. Although the QLFS reported that 34 714 jobs were gained in Cape Town's formal sector from quarter 2 to quarter 3, the total employment figure in Cape Town is still around 149 000 less than it was in quarter 3, 2019, with a decline in informal employment of around 30% over the same period. This deficit in jobs is exacerbated by the 53 000 additional people joining the working age cohort (15-64 years) from quarter 3, 2020. It is becoming increasingly difficult for those entering the labour force to find gainful employment, especially if they are unskilled. If conditions stabilise, this unprecedented job loss situation could recover over the next three years.

In quarter 3, 2021, Cape Town's broad unemployment rate was the highest ever recorded, at 30,2%, increasing by 1,1 percentage points from quarter 3, 2020. Even with this increase, Cape Town still has the lowest unemployment rate compared to all other metros in South Africa. This is due to the city's comparative advantages and the development of policy and infrastructure initiatives that have cultivated a business-friendly environment. Johannesburg, eThekweni and Ekurhuleni all experienced larger increases in their broad unemployment rates from quarter 3, 2020, with an average 3,6 percentage point increase.

On the whole, quarter 3 was bumpier than anticipated with the Delta variant of Covid-19, looting and cyber attacks contributing to economic uncertainty and volatility. The data reflect these uncertainties and shocks with volatile, and stumbling, growth rates. Vehicle sales, Cape Town International passenger movements, and electricity usage all show quarter-on-quarter improvements, but do not record increases on 2019 levels. Continued relief in the third quarter, in the form of social grants from government,

helped to marginally cushion the blow, especially for the poor, caused by still poor economic conditions. However, the positive effects of these grants on consumer spending may be hampered by increasing interest rates. The extended limits for embedded energy generation was another welcome policy announcement that will serve to increase investment into energy facilities and create potential wheeling initiatives to increase the reliability of energy supply, which will alleviate a major constraint for businesses.

Energy reliability and ease of doing business are two of the top priorities of the City's newly elected Mayor, Alderman Geordin Hill-Lewis, who was sworn into office in November 2021. Other priorities, including meaningful economic growth and infrastructure prioritisation, will be highlighted in the Integrated Development Plan (IDP) 2022–2027, which was released for public comment in quarter 4. The Mayor has recognised the challenging times in which citizens of Cape Town find themselves and has reiterated the need for a city that creates opportunities, and hope, for all. With continued hard work, innovation and resilience, Cape Town can continue on its economic recovery journey and rebuild better and stronger.

Jodie Posen
Senior Economist: Economic Analysis

NOTE

For this edition of EPIC, it is important to be mindful that year-on-year changes (i.e. comparisons of data in the analysis period to that of the third quarter of 2020) could be elevated due to the impact of Covid-19 and the lockdown restrictions during that quarter. For this reason, several chapters in this edition will include comparisons to the third 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 THIRD QUARTER OF 2021

In the third quarter of 2021, the **Western Cape economy contracted by 6,0% quarter-on-quarter**, mirroring the national trend. The contraction was mainly driven by agriculture (-44,2%), but contractions were also recorded in four other sectors.

The Western Cape recorded an **inflation rate of 5,1%** at the end of the third quarter of 2021, a slight increase from the 5,0% shown at the end of the previous quarter. Although this was higher than the national inflation rate of 5,0%, it remained within National Treasury's inflation target range of 3% to 6%.

On a quarter-on-quarter basis, **the number of people employed in Cape Town increased by 6 363** to a total of 1,46 million. On a year-on-year basis, this figure represents an increase of 40 246 individuals. The main contributor to quarter-on-quarter employment growth during the period was the finance and business services sector, which added 14 965 jobs, followed by community, social and other personal services (12 569 jobs). The trade, hotels and restaurants sector shed the most jobs (-20 185).

Cape Town's **top five tourist attractions** recorded a total of 242 302 visitor numbers in the third quarter of 2021. This represented a quarter-on-quarter decline of -7,8%. Despite a year-on-year improvement of 94,1%, visitor numbers remain 71,5% lower when compared to the same period in 2019.

Cape Town accommodation establishments recorded an **occupancy rate of 34,2%** in the third quarter of 2021. Slight improvements can be noted towards the end of the quarter; however, the industry remains subdued due to still very low numbers of international visitors.

Air passenger movements across the country's international airports declined on a quarter-on-quarter basis. In the third quarter of 2021, Cape Town International recorded 923 111 passenger movements, which is a decrease of 22,8% compared to the previous quarter.

Cape Town's trade, on a quarter-on-quarter basis, recorded a **decrease in exports** and an **increase in imports** in the third quarter. Exports were mainly led by citrus fruit and crude oil. On a year-on-year basis, third quarter exports recorded an increase of 3,0% from levels shown in the third quarter of 2020, and a 15,8% increase on the same period in 2019.

In the third quarter of 2021, the City of Cape Town recorded a **year-on-year decline in building plan submissions** to 4 612, while the total value of building completions showed an increase when compared to the same period in 2020 (up 105,2%) as well as 2019 (up 62,4%).

01





SUCCESS STORIES

THE BELGIAN CONSULATE GENERAL

Consulates date back to the Roman Empire. Back then, international relations were developed in response to growing trade activities and the need to establish sound relationships and laws across locations.

While, today, we've moved from consulates mainly fulfilling judicial roles on behalf of sea merchants and sailors,¹ the underlying need for these vital relationship-building functions has remained largely the same: to foster diplomacy between nations, assist nationals experiencing difficulties in host countries, and to stimulate economic activity across borders.

Recently, Belgium has upgraded its consular post in Cape Town and appointed Mr Mathias Bogaert as the consul general.

Tell us a little more about yourself, including your previous postings?

I have previously held postings in Geneva (2004–2008), working on international trade; in New Delhi, India (2008–2012), working on bilateral economic relations; and in Brussels (2012–2015) as the Belgian coordinator for European Foreign Policy. Before arriving in Cape Town, I spent five years in New York working on the UN Security Council. I was the political coordinator of Belgium during both Belgium's and South Africa's tenure as member of the Security Council in 2019 and 2020. I enjoyed cooperating intensively with South African colleagues working on peace and security in the world. I also have a personal link with South Africa in that the first paper I wrote on international politics as a young student was on South Africa, in which I argued in favour of the boycott against apartheid.

Tell us a bit more about the Belgian consulate general in Cape Town.

I am very happy to say I am the first consul general

to be appointed by Belgium in Cape Town. Before this, we always had a consulate, but this diplomatic post has now been upgraded. This is a testimony of Belgium's faith in the huge potential of the city of Cape Town and the Cape provinces.

How long have you had a presence here and how large is the Belgian community in Cape Town?

Traditionally there has been a large Belgian community here in Cape Town, attracted by its position as a cross point in trading routes between Europe and Africa. The first Belgians set foot on Cape soil in the 17th century, even before Belgium existed as it does today.

The Cape's natural beauty and its great way of living also act as a magnet for Belgians. Our people appreciate good food and wine, and I meet a lot of Belgians here who tell me they came to Cape Town for a two-week holiday ... and that was five or more years ago.



"We truly believe the Cape is an ideal springboard for Belgian companies

to venture into the African economy – just like the Belgian economy is the ideal springboard for South African companies to venture into the European economy. We are made for each other."

Mathias Bogaert
Consul general of Belgium

Many Belgians have started restaurants, wine estates, or lodges, as well as various other businesses, which add to our mutual trade and investments. I have approximately 5 000 Belgians living in my jurisdiction, of which roughly 3 000 are

residents in Cape Town. That number is expected to rise again after Covid-19.

What is the range of diplomatic functions fulfilled by the Belgian consulate in Cape Town?

My jurisdiction covers the three Cape provinces in South Africa and Namibia. My team offers municipality services to the local Belgian community and delivers visa services to South Africans looking to travel to Belgium. That is essentially what a consulate does. In addition, as a consul general, I also work to improve our broader economic and cultural relations, and the political relations with the regional and city authorities.

What does the upgrade to Consulate General mean more generally and what are the potential impacts for Cape Town's economy?

The upgrade to a consulate general is an acknowledgement by Belgium of the potential of Cape Town and the Cape provinces. The Cape focus sectors – hospitality, logistics, farming, biotech and hi-tech – are very complementary to the Belgian economic structure.

The City of Antwerp also has a long-standing partnership agreement with the City of Cape Town. Both cities are port cities, big on fashion and audio-visual arts, and they share the Afrikaans-Dutch language.

The upgrade of my office aims to create more jobs, business and cultural relations for both the Cape and Belgium. I hope to be able to announce an important Belgian investment in the Western Cape in the near future.



A site visit with (pictured left to right) Mayco member for Urban Mobility Councillor, Roberto Quintas, consul general of Belgium, Mathias Bogaert, and councillor Ian McMahon.

How has your role changed in response to the Covid-19 pandemic?

Covid-19 changed all our lives and jobs, including mine. Last year, my predecessor and his EU colleagues organised several expatriation flights so Belgians and other EU citizens could return home after commercial flights were suspended. This year I continued to help keep our Belgian community safe from Covid-19 in coordination with the local authorities. My office also offered assistance to Belgians who wanted to go back to Belgium to get the vaccine there. Currently, over 70% of the Belgian population has been fully vaccinated, which makes Belgium one of the frontrunners worldwide in this regard.

What challenges has Belgium experienced during the global health pandemic and what opportunities or innovative solutions have been devised?

Belgium is a small, but very open, diverse and densely populated country at the heart of the European crossroads. That is great for our economy,

but unfortunately also made it easy for Covid-19 to spread rapidly through our country at the start of the pandemic. Strict enforcement of Covid-19 measures and an accelerated vaccination campaign are helping us now to get the upper hand.

On that topic, I would also like to congratulate the City of Cape Town for its quick and efficient Covid-19 response and vaccination campaign. This is key to a sustainable societal and economic recovery.

Belgium also plays a role in this regard. The Belgian pharma cluster is traditionally one of the biggest vaccine developers and exporters worldwide. The Johnson and Johnson vaccine has been developed by its Belgian subsidiary Janssen Pharmaceutica. Janssen was instrumental in getting the first vaccines to aid providers in South Africa, and in starting off a local production of the J&J Janssen vaccine in the Eastern Cape – a first for Africa. Belgium also actively supports the European initiative to assist Biovac to produce Covid-19 vaccines in Cape Town.



A visit to the Cape Innovation and Technology Initiative. Pictured left to right: Consul general of Belgium, Mathias Bogaert, Mayco member for Economic Growth, Alderman James Vos, and Mayor Geordin Hill-Lewis.



A visit to the Cape Innovation and Technology Initiative. Pictured left to right: Mayco member for Economic Growth, Alderman James Vos, Mathias Bogaert, consul general of Belgium, and Mayor Geordin Hill-Lewis.

Tell us about some recent or planned initiatives by the Belgian consulate general in Cape Town?

With pleasure. I actively support the increase of port relations between the Cape and the Belgian ports, and I hope to be able to announce a direct air link between Belgium and Cape Town soon, when tourism picks up again.

In the first week of October, we organised the first 'Week of the Dutch Language' in Cape Town, in collaboration with the Netherlands and Flanders, the Dutch-speaking region of Belgium. In November, we organised the 10th edition of our famous 'Taste of Belgium' event at the Belgian Residence. In the framework of our joint fight against climate change, I am also looking to kick-start a renewable energy project in the Cape provinces. I continue to support Belgian involvement in Covid-19 vaccine production in the Cape.

What are the key investment sectors in Belgium, which sectors would you say are on the rise, and how could Cape Town capitalise on them?

With its unrivalled logistics hub at the heart of

Europe, and a multilingual and productive work force, Belgium is the ideal hub for South African businesses looking to venture into the European market. Our regional trade and investment promotion agencies from Brussels, Flanders, and Wallonia offer very attractive incentives. Focus sectors are logistics, pharma/biotech, food industry, and hi-tech. I am happy to share with you that the Capetonian space company, Simera Sense, recently decided to invest in Belgium.

For the Belgian investor, what opportunity sectors have you identified in Cape Town?

There are plenty, and very similar to the ones I already mentioned. Off the cuff, I think of the hospitality and lifestyle sector, but also fruit processing, biotech/pharma, and IT companies.

Contact the consulate general of Belgium by mailing capetown@diplobel.fed.be, calling +27 (0)21 419 4690 or visiting southafrica.diplomatie.belgium.be.

¹ [https://en.wikipedia.org/wiki/Consul_\(representative\)#Consulates_and_embassies](https://en.wikipedia.org/wiki/Consul_(representative)#Consulates_and_embassies)

NEIGHBOURGOOD

CAPE TOWN'S NEW ALL-INCLUSIVE LIVING AND CO-WORK SPACE

Launched by CEO Murray Clark, Neighbourgood is a dynamic new property development and management company seeking to bring the traditional concept of a neighbourhood to life by offering opportunities for connected living.

What is Neighbourgood and how did the idea come about?

Neighbourgood was born out of a desire to reinvent traditional living and workspaces to create a sustainable platform for community, and to ultimately bring good to neighbourhoods.

We employ 25 people across our six locations, and we hope to employ a lot more over the next few years as we roll out new living and working locations. Our staff is 63% female (which we are super proud of) and is made up of a variety of different people from all walks of life. We pride ourselves as being closer to a hospitality and community company, than we are a property company, and so creating a culture of warmth is important to us.

We believe that people thrive in collaborative environments. Living and workspaces that offer the opportunity to connect with others are a better and more sustainable reflection of the future, and so we are doing everything we can to bring that vision to life.

Why did you choose to launch the concept in Cape Town?

Cape Town is the most pedestrian-friendly city of all South African metros. We believe that the most successful cities in the world are walkable, and the Cape Town CBD has all the ingredients to become one of the best in the world. The city is more affordable to live in than the likes of Paris,

New York and many others, it has the backdrop of Table Mountain, world-class beaches, a rich diverse culture and incredible people. What's not to like? It really is an incredible opportunity for us.

Cape Town is recognised as one of the world's top remote work destinations. Did this influence the concept at all?

Absolutely. As many as 30% of our members are digital nomads, and this adds so much culture and diversity to our community. With companies across the globe adopting a more flexible approach to work, Cape Town as a city, and Neighbourgood as a brand, are well placed to pick up a lot of that business, because we have a lot to offer the digital nomad from a lifestyle perspective.

Who is your target market?

We are a multigenerational brand that creates modern homes and workspaces for all people. Whether you are a grad student or a working professional, we have something to suit you. We reach our audience through a variety of platforms, but primarily on social media and, lately, through word of mouth. Our members are ultimately our best form of advertising.

What is the Neighbourgood 'offer' and why should professionals consider it?

Well first, it saves you money. And, in today's economy, after the financial pressure we have all been through, that is really important. Our spaces start from ZAR5 950 per month, which is

"The City of Cape Town is a blank canvas for us filled with so much opportunity. I am just really excited about doing our bit in helping create the best version of it for all Capetonians and people from across the world to enjoy."

CEO Murray Clark, Neighbourgood



The Neighbourgood team, with CEO Murray Clark on the far left. Neighbourgood builds thoughtfully designed, all-inclusive living and co-working spaces.

substantially cheaper than the closest available bachelor flat. We don't take deposits, which helps a lot as well. Secondly, our spaces are synonymous for community, which is important. To meet and socialise with other like-minded people brings sanity to a world that has been in self-isolation for almost two years. When you join any of our spaces across the city, you have access to all of our workspaces as well, which is a real value add. We also offer daily events and activations, including walks up Lion's Head, fitness classes, entrepreneurial talks, and much more. Becoming a member of Neighbourgood means joining our family, and so the likelihood is strong that you will stay with us for life.

You've recently acquired the Townhouse Hotel. Are you looking at acquiring other properties in the city?

Absolutely. We are looking to acquire new properties and partner with existing landlords who are looking to repurpose their space. Our aim is to increase our membership within Cape Town to 2 000 people within the next 36 months. Densification of the CBD is a really important part of our strategy and we are going to do everything we can to help achieve that. We have one of the best cities in the world, and we think people should be living in it.

You launched Neighbourgood during a global pandemic. What, in your opinion, is the future of work?

The future of work is flexible, hybrid in nature (between home and work) and very collaborative. I also believe the future of all companies will need

to be driven by clearly defined purposes that inspire positive change. I see workspaces (like Neighbourgood) offering flexible lease terms and turnkey solutions, underpinned by technology that offers the ability for companies to scale up or down based on demand. Most of our workspace members are companies of between three and 15 people, across a variety of sectors, but all are looking for the same workspace solution. Affordability, flexibility, collaboration, well-designed space, security, and other amenities are all very important as well.

What's next for Neighbourgood?

Sustainable growth across the city will remain our core focus. Whether we build one, or one hundred, quality is more important than quantity and so this will remain our objective. We see Cape Town as being our biggest value proposition as a brand. So, as we continue to build new Neighbourgood locations, we connect the dots and our value proposition as a company gets better for all members. I am excited about the integration of culture, thoughtfully designed urban planning and people who share a common goal of bringing good to the world in any way they can, and so that will continue to be the goal.



Relax and unwind with a good book or cuppa, or enjoy dining at these communal spaces at Neighbourgood's East City property.

02





OVERVIEW

CAPE TOWN OVERVIEW 2021: QUARTER 3

GROSS DOMESTIC PRODUCT (GDP)

The **Western Cape** accounted for **R641 billion^a** of the **R4,4 trillion gross domestic product (GDP)** generated by **South Africa** in the third 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

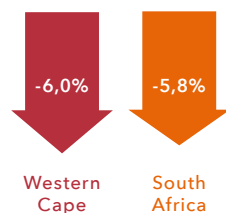


^a At constant 2015 prices, seasonally adjusted and annualised. Source: Quantec, 2021.

^b Source: IHS Markit, 2021.

GDP GROWTH RATE

During the third quarter of 2021, the **Western Cape** achieved quarter-on-quarter GDP growth of **-6,0%**, compared to **national GDP** growth of **-5,8%**.^c



^c At constant 2015 prices, seasonally adjusted and annualised. Source: Quantec, 2021.

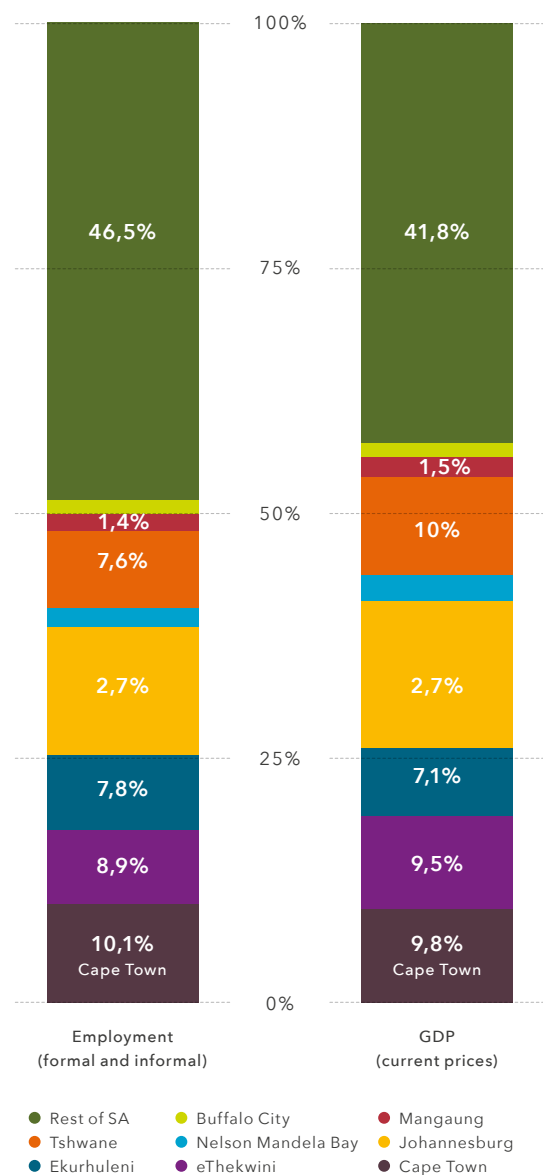
GDP PER CAPITA

In 2020, **South Africa** had a GDP per capita of **R83 163**, while the **Western Cape's** GDP per capita was **R97 698** and **Cape Town's** was **R106 987**.^d



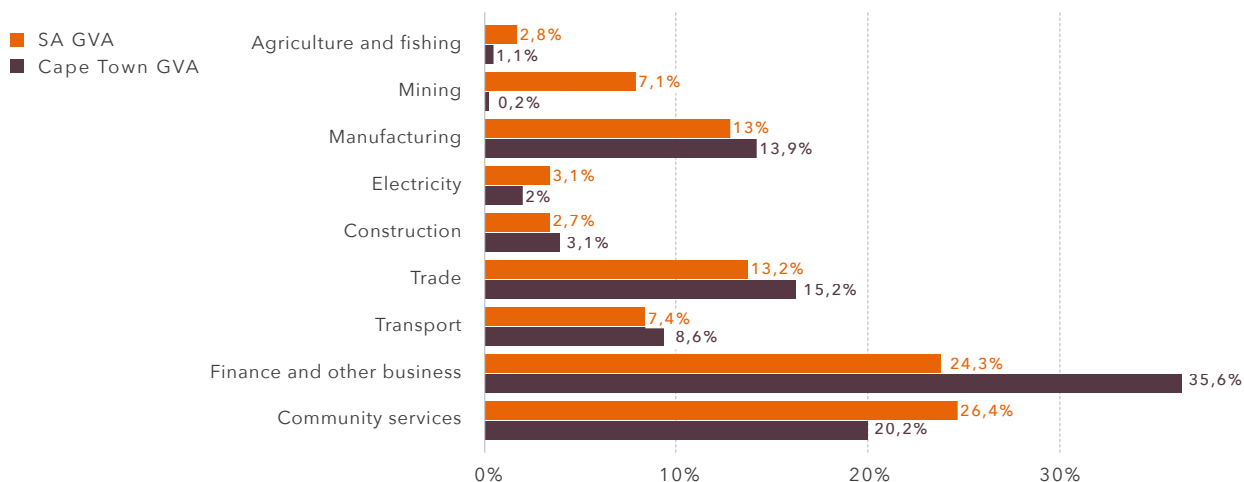
^d At current prices. Source: IHS Markit, 2021.

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



^e At current prices. Source: IHS Markit, 2021.

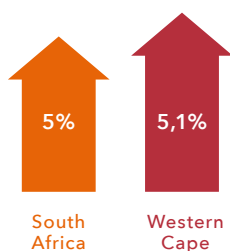
SECTORAL SHARES, CAPE TOWN GROSS VALUE ADDED (GVA) VERSUS NATIONAL GVA, 2020^f



^f At current prices. Source: IHS Markit, 2021.

INFLATION

At the end of the third quarter of 2021, **South Africa** had an inflation rate of **5%**. The **Western Cape's** inflation rate for the same period was **5,1%**.^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

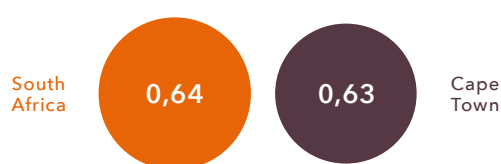


^h Source: City of Cape Town, 2021a.

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 third quarter of 2021, tourists and residents made **242 302** visits to **Cape Town's five major attractions**.^j



^j Source: Wesgro, 2021.

AIR PASSENGER MOVEMENTS

Of the **3 142 937** passenger movements through **South Africa's three international airports**^k during the third quarter of 2021, **923 111** were through **Cape Town International Airport**.^l



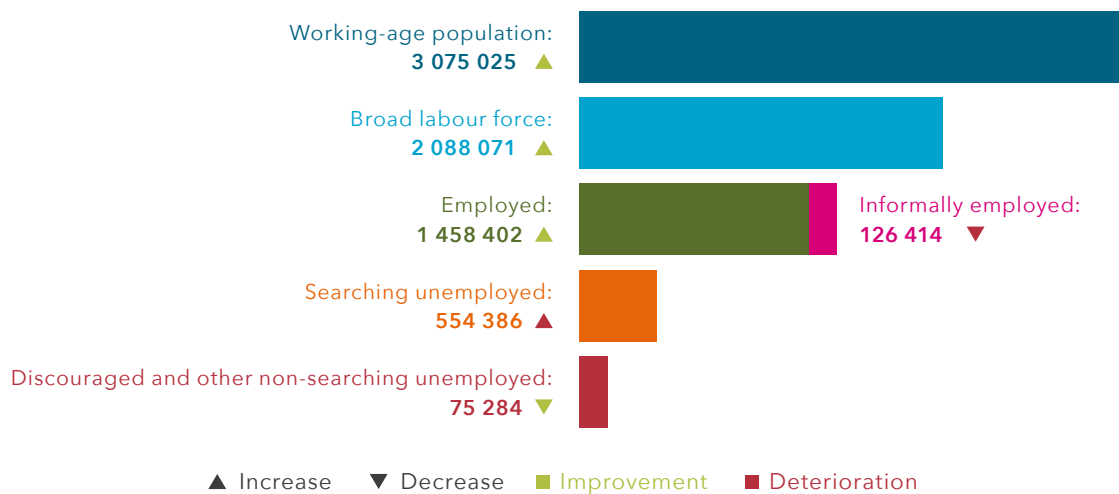
^k Source: Cape Town, OR Tambo and King Shaka.

^l Source: Airports Company South Africa, 2021.

LABOUR OVERVIEW

2021: QUARTER 3

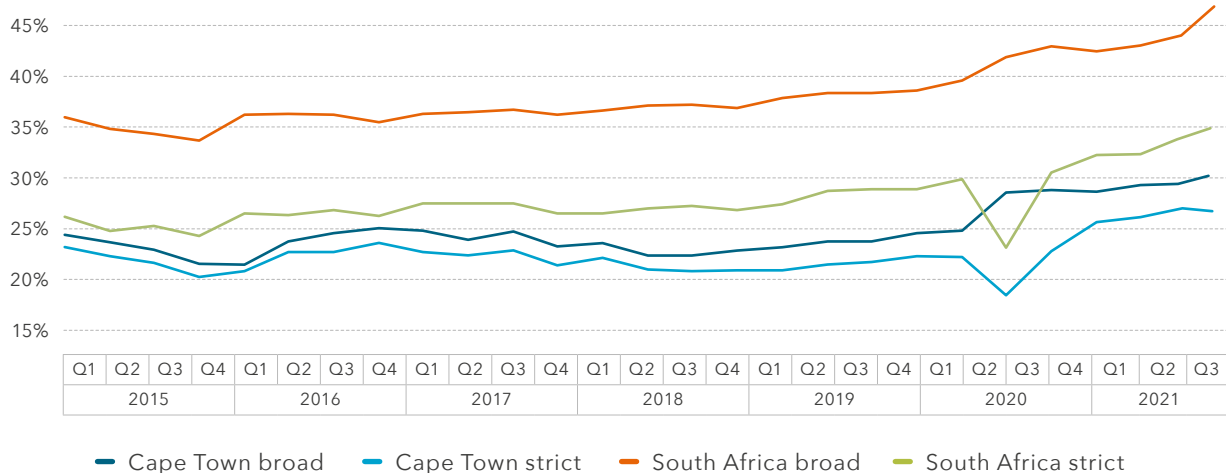
LABOUR INDICATORS, 2021 Q3 (QUARTER-ON-QUARTER CHANGES)



Labour force participation rate (strict) = 65,5% Absorption rate = 47,4% Dependency ratio = 43,5%

Source: Statistics South Africa, Quarterly Labour Force Survey, 2021 Quarter 3, November 2021.

STRICT VERSUS BROAD UNEMPLOYMENT RATES FOR SOUTH AFRICA AND CAPE TOWN, 2015 Q1 TO 2021 Q3



Source: Statistics South Africa, Quarterly Labour Force Survey, 2021 Quarter 3, November 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 South African economy recorded a contraction in GDP of 1,5% quarter-on-quarter (non-annualised, as per the change in Statistics South Africa's reporting conventions)² in the third quarter of 2021. This represents a decline of 2,6 percentage points from the previous quarter (which was revised downward by 0,1 of a percentage point to 1,1%). The contraction in the third quarter was largely expected, but still exceeded the Bloomberg consensus of a decline of 1%, as well as the Bureau for Economic Research's (BER) expectation of -1,3% (non-annualised) (BER, 2021a). As illustrated in figure 1, this contraction follows a short period of recovery, including a positive rebound in the third quarter of 2020. In terms of rand value, economic activity has not yet returned to pre-pandemic levels.

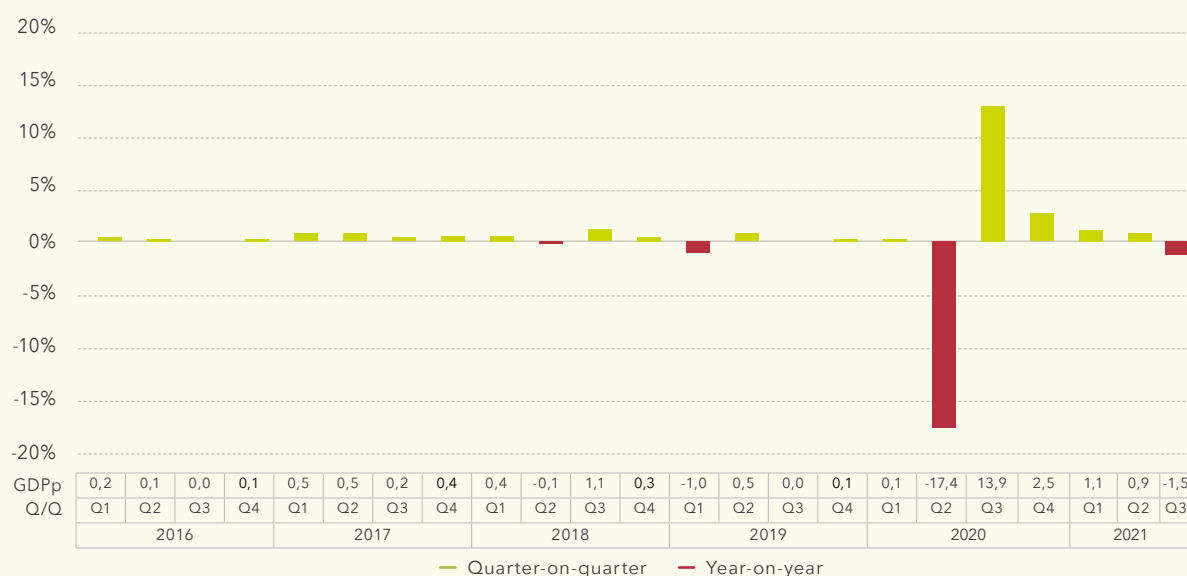
Note: In order to draw a more detailed comparison to the provincial economy of the Western Cape, and to maintain consistency in the reporting of historic growth rates, the remainder of this analysis will be based on the annualised data for economic activity.³

For the third quarter of 2021, the national economy recorded an annualised contraction of 5,8% quarter-on-quarter, declining by 10,1 percentage points from the previous quarter (which was revised downward by 0,4 of a percentage point to 4,3%).

The third-quarter contraction was driven by declines in six sectors. The agriculture sector recorded the largest contraction (-44,2%) and subtracted 1,7 percentage points from total national growth. This was followed by the trade and hospitality sector, which contracted by 20,2% and subtracted the most from total national growth (-2,8 percentage points). Contractions were also recorded in the manufacturing (-15,7%), transport and communication (-8,5%), mining (-3,5%) and construction (-1,9%) sectors, further subtracting a combined 3,1 percentage points from total national growth. Four sectors recorded positive growth in the third quarter of 2021, namely finance and business services (4,9%), community, social and other personal services (2,1%), general government services (1,5%), and electricity and water (1,5%). Combined, these sectors added 1,7 percentage points to total national growth, which was insufficient to outweigh the negative impacts of the six sectors that contracted over the same period in the third quarter.

A number of other indicators also point to the economy's strained recovery path. After rising to 50 index points in the previous quarter, the RMB/BER Business Confidence Index declined by 7 points to 43 index points in the third quarter of 2021. According to the BER, the overall poor sentiment in the third quarter was underpinned by

FIGURE 1: SOUTH AFRICA'S HEADLINE GDP GROWTH, QUARTER-ON-QUARTER (CONSTANT 2015 PRICES, SEASONALLY ADJUSTED, NON-ANNUALISED), 2016 Q1 TO 2021 Q3



Source: Statistics South Africa, gross domestic product, third quarter 2021, 7 December 2021.

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

³ Unless otherwise stated, quarter-on-quarter growth rates are seasonally adjusted and annualised.

a range of negative factors. These include the country facing its third wave of the Covid-19 pandemic, the subsequent increased restrictions and higher worker absenteeism, the unrest in KwaZulu-Natal and Gauteng, and disruptions to the ports due to a cyber attack. Weighing in positively for the third quarter were further relief package announcements by government and the extended limits for embedded energy generation. The retail sector also recorded a marginal improvement in industry sentiment (BER, 2021b).

The FNB/BER Consumer Confidence Index also remains significantly low. Although, despite the unrest and mass looting in parts of KwaZulu-Natal and Gauteng, the index managed to improve slightly from -13 in the previous quarter, to record -10 for the third quarter of 2021,

pointing to the resilience of the local consumer market (BER, 2021c).

The Absa Purchasing Manager's 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. The Absa PMI recorded mixed performance throughout the third quarter of 2021. Mainly due to the unrest and looting, the Absa PMI declined by 14,0 index points to record 43,5 index points in July before rebounding to 56,2 index points in August, and then slipping to 54,7 index points in September 2021. According to the BER (2021d), uncertainty around the pandemic's associated restrictions remain a concern, as well as various supply chain disruptions.

A GLOBAL COMPARISON OF ECONOMIC PERFORMANCE IN THE THIRD QUARTER

According to the International Monetary Fund (IMF, 2020a), the so-called 'Great Lockdown' – an unprecedented global response to the Covid-19 pandemic – triggered the worst recession since the Great Depression. 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. Noting reduced momentum in recovery, the IMF's latest World Economic Outlook (IMF, 2021b) includes a downward-revised growth forecast for 2021 (by -0,1 of a percentage point) of 5,9%, while its forecast for 2022 remains unchanged at 4,9%. Its forecast for 2021 is

underpinned by a downward-revised growth forecast for advanced economies to 5,2% (down by 0,4 of a percentage point compared to the forecast in its July 2021 WEO publication). The IMF forecast for emerging and developing economies has been upwardly revised (by 0,1 of a percentage point) to 6,4%. Vaccine access, as well as the resurgence of the pandemic, remain key factors. For 2022, the IMF expects advanced economies to record 4,5% growth and emerging market and developing economies 5,1%, which represent revisions of +0,1 and -0,1 of a percentage point respectively. The IMF forecast for South Africa has also been upwardly revised by a generous 1 percentage point, with expectations for growth of 5,0% in 2021, while the forecast for 2022 remains unchanged at 2,2%.

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 economy recorded an annualised contraction of 6,0%, quarter-on-quarter for the third quarter of 2021.

The year-on-year data for the Western Cape indicate a similar performance to that of the country as a whole. Growth rebounded in the previous quarter, after four consecutive quarters of negative growth. South Africa experienced positive year-on-year growth in the third quarter of 2021, recording 3,0%, while the Western Cape economy recorded year-on-year growth of 3,3%. The positive performance is underpinned by the fact that the majority of sectors recorded positive year-on-year growth rates.

The Western Cape's sectoral performance, on a quarter-on-quarter basis, largely mirrored that of the national economy, with similar sectoral trends. In contrast to the national mining sector performance, the Western Cape mining sector recorded 7,5% growth. While this was the largest sectoral growth recorded for the province, mining's small contribution (0,2%) to the provincial economy translated to the addition of only 0,01 of a percentage point to total growth in the third quarter. This was followed by the finance and business services sector, which grew by 4,8% and added the most to total provincial growth (1,6 percentage points). Electricity and water recorded growth of 4,0% and added 0,1 of a percentage point to total provincial growth. The community services (2,9%) and government sectors (1,5%) also recorded growth in the third quarter and added

0,4 and 0,1 of a percentage point, respectively, to total provincial growth.

At the provincial level, the agriculture sector also recorded the highest contraction of -44,2% in the third quarter of 2021, and subtracted 2,4 percentage points from total growth. This was followed by the trade and hospitality (-18,6%) and manufacturing (-17,7%) sectors, which both subtracted 2,6 percentage points from total provincial growth. Further contractions were recorded by the transport and communication (-8,0%) and construction (-1,3%) sectors, subtracting 0,7 and 0,04 of a percentage point, respectively, from total growth in the third quarter of 2021.

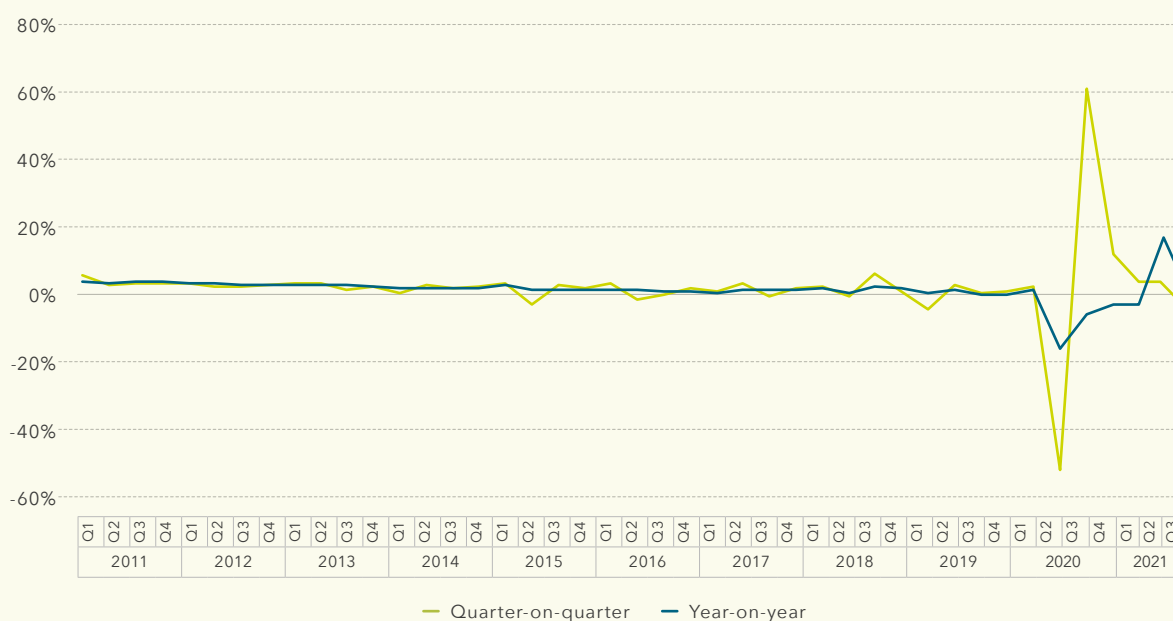
The largely negative growth results in the third quarter of 2021, highlight the ongoing challenging economic climate, with economic activity remaining lower than pre-Covid-19 levels in a number of sectors.

Stats SA's recent rebasing and benchmarking exercise (Stats SA, 2021c) resulted in changes to the sectoral contributions to the national and provincial economies. This had a minimal impact on the overall ranking of sectors' contributions in the previous quarter, however, notable changes are evident in the third quarter of 2021 (also impacted by data revisions). While the most prominent contributors to total GDP (value) in the Western Cape remain the finance and business services (34,9%), trade and hospitality (12,8%), and manufacturing sectors (13,5%), it includes the community services

sector (15,6%) taking second place. This ranking is also influenced by the pandemic, as social services remain in high demand amid the weak economic climate.

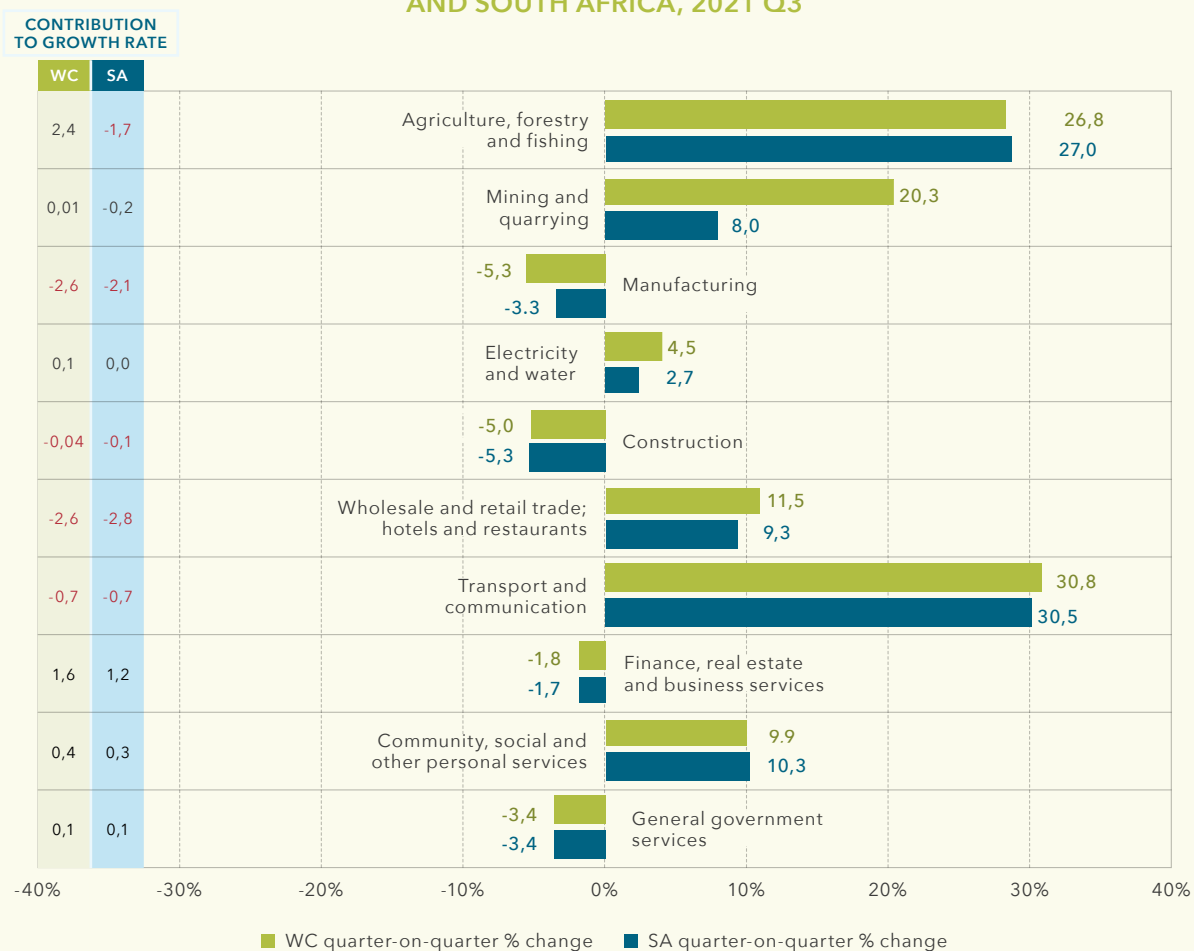
While quarterly GDP-R statistics for Cape Town are not timeously available for inclusion in this document, the performance of the Cape Town economy can typically be expected to mirror that of the provincial economy. This is because the city contributes around 72% of the total provincial economic output (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 third quarter of 2021, a plausible range for Cape Town's quarter-on-quarter economic growth would be between -6,2% and -5,8%. However, the differences in the structures of the provincial and metro economies mean 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 of 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 respective impact may have been more pronounced on the city's economy. Likewise, the agriculture sector's negative performance is likely to be more muted at the city level.

FIGURE 2: REAL GGP GROWTH FOR THE WESTERN CAPE, 2011 Q1 TO 2021 Q3



Source: Quantec, 2021.

FIGURE 3: SECTORAL REAL GDP-R GROWTH RATES IN THE WESTERN CAPE AND SOUTH AFRICA, 2021 Q3



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 third quarter of 2021, the CPI increased to 5,0% from the 4,9% recorded at the end of the second quarter of 2021. As illustrated in figure 4, the CPI was 4,6% in July, 2021, increasing to 4,9% in August and then to 5,0% in September. Overall, the CPI remained within the inflation target range (3%-6%) for the third quarter.

According to Statistics South Africa (2021b), the main contributors to the overall CPI inflation rate for September 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 September 2021 (South African Reserve Bank [SARB], 2021), the outlook for 2021 headline inflation has been revised upwards to 4,4% (from a previous 4,3%) and remains unchanged for 2022 (4,2%) and 2023 (4,5%). The MPC further noted that, at a global level, producer and food prices continue to accelerate rapidly. This, according to the statement, points to international supply shortages accompanied by strong demand. In addition, the MPC noted concerns surrounding the volatility of oil and electricity prices, and stated that it will continue to monitor these. Further comments were made on the importance of increasing vaccination rates in the hope that doing so will help to restore confidence levels and economic growth.

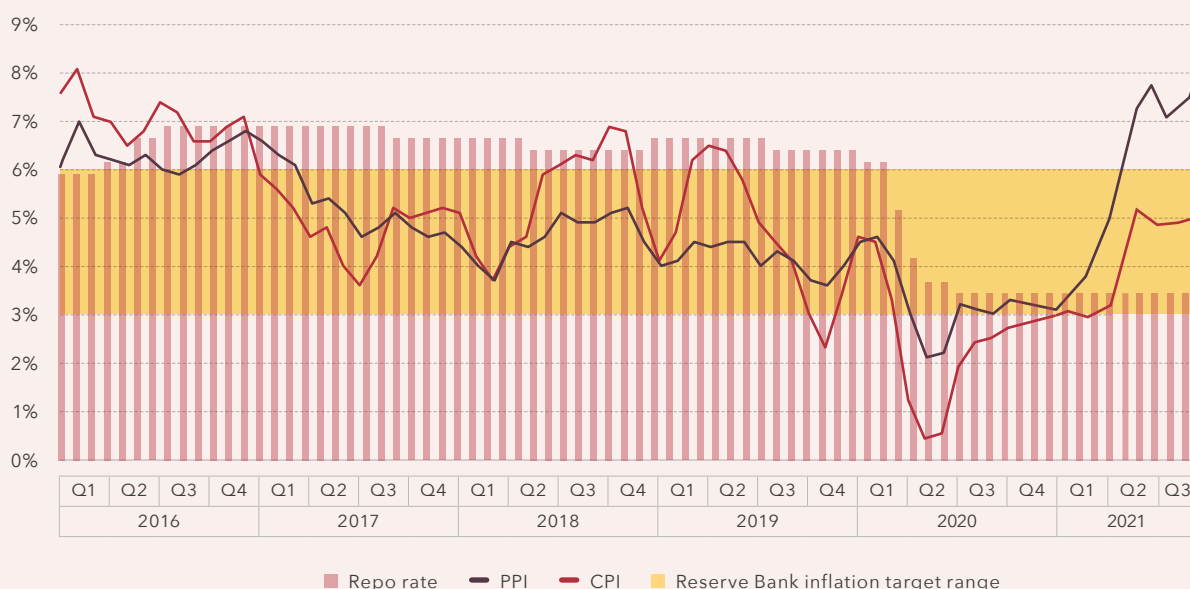
For the third quarter of 2021, the PPI⁴ increased to an average of 7,4%, after averaging 7,3% in the previous quarter. The index recorded monthly readings of 7,1%

in July, increasing further to 7,2% in August and to 7,8% in September 2021. At the start of the second quarter, the PPI moved outside the upper end of the inflation target range (6%) and has remained well above that level. In addition, the PPI recording for September 2021 is the highest it has been since February 2016, when it last breached the 8% mark. The main inflationary contributors to the PPI in September (in terms of final manufactured products) were the prices of: coke, petroleum, chemicals, rubber and plastic products; food products, beverages and tobacco products; and metals, machinery, equipment and computing equipment.

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 September 2021, in favour of the latter index. The notably higher PPI is certainly contributing to CPI edging towards the upper end of the inflation target range, although this increase is tempered by weak demand conditions.

Figure 4 illustrates changes in the repurchase rate (repo rate). As indicated in the graph, the repo rate remained at 3,5% throughout the third 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 and the uncertainty of current economic and financial conditions [global and domestic]. The committee noted that it remains confident that inflation for 2021 will remain well controlled, despite

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



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

⁴ 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.

the potential upward risk. The MPC further noted that the policy stance will remain highly accommodative and will keep financial conditions supportive of credit demand as the economy continues to recover. This continues to reflect the consideration given by the MPC to the ongoing challenges faced by households and businesses, while

also being cognisant of the national and global economic outlook in the midst of the Covid-19 pandemic.

GEOGRAPHICAL INFLATION

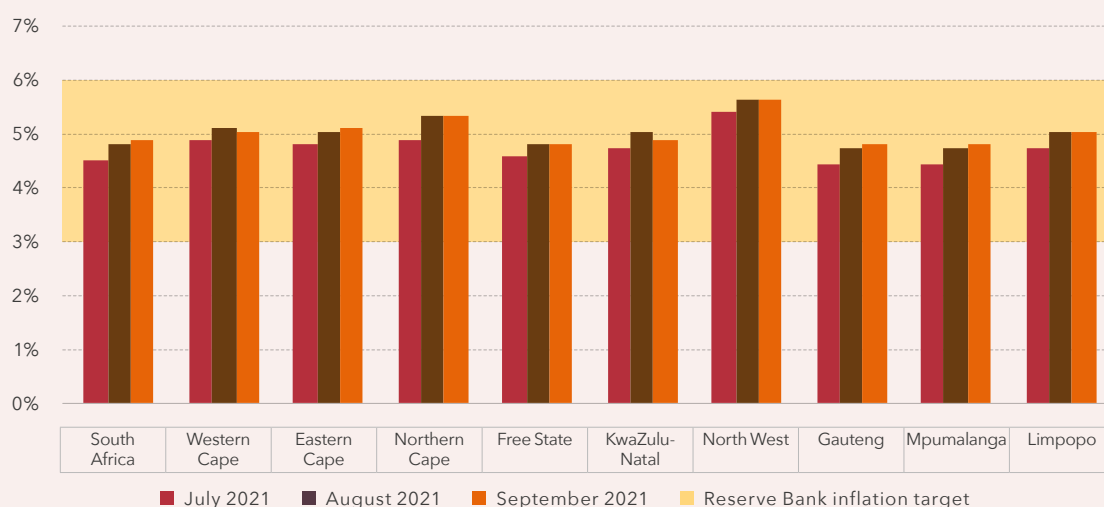
The Western Cape recorded an inflation rate of 5,1% at the end of the third quarter of 2021. This was slightly higher than the 5,0% at the end of the preceding quarter and also slightly higher than the national rate of 5,0% for the quarter under review. Figure 5 illustrates inflation rates recorded in the third quarter of 2021 across all nine provinces of the country. Compared to the end of the second quarter of 2021, five provinces experienced inflationary increases, while the rest experienced inflationary decreases. At the end of September, all of the provinces recorded inflation within the target range of 3% to 6%. The North West recorded the highest inflation rate for the quarter under review, averaging 5,6%, followed by the Northern Cape (5,3%) and the Western Cape (5,1%). Mpumalanga and Gauteng recorded the lowest average inflation rate of 4,7% each 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 third quarter of 2021 were food and non-alcoholic beverages and transport price inflation. All of these recorded inflation 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 prices recorded inflation of 6,4% at a provincial level and 6,7% at a national level for September 2021 with [its sub-category of] food price inflation being the main driver for both. Food price inflation was notably higher at a national level (7,2%) compared to the 6,9% at a provincial level.

Transport price inflation recorded inflation of 9,8% at a national level and 10,5% at a provincial level for September 2021. This was largely driven by [its sub-category of] fuel price inflation for both the country and province. Fuel price inflation for September was higher at a provincial level (20,2%) compared to the 19,9% at a national level. According to Stats SA (2021a), the price of petrol⁵ reached an all-time high of R18,34 for September 2021 and increased considerably when compared to the same month in 2020 (R15,18) and 2019 (R16,03). This acceleration in the price of petrol could largely be attributed to the significant increase in the price of oil to an average price of \$72 per barrel for the third quarter of 2021 compared to an average price of \$66 per barrel for the second quarter.

FIGURE 5: CPI INFLATION RATE AT A PROVINCIAL LEVEL, JULY TO SEPTEMBER 2021



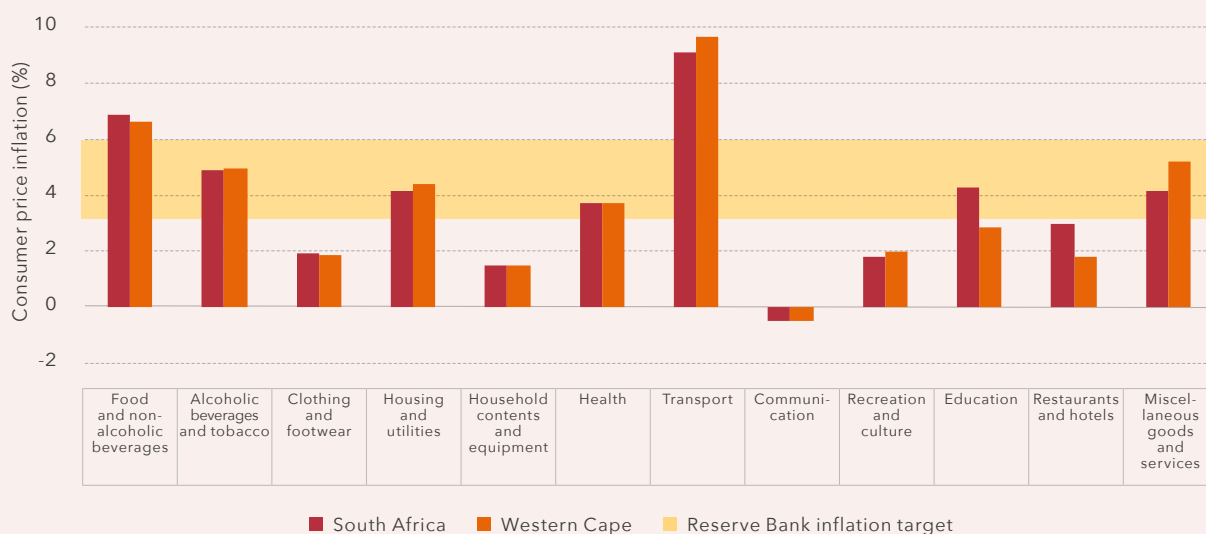
Source: Statistics South Africa, September 2021.

⁵ Price of inland 95-octane petrol.

Price inflation for electricity and other fuels has increased considerably when compared to the previous quarter on both a national (average price inflation of 13,6% compared to a previous average inflation of 6,3%) and provincial (average price inflation of 13,6% compared to a previous average inflation of 4,7%) level.

The increase was driven to a considerable degree by the National Energy Regulator of South Africa's (NERSA) approval of a 15,06% increase in municipal electricity tariffs for the 2021/22 financial year – implemented from 1 July 2021 (NERSA, 2021).

FIGURE 6: AVERAGE CONSUMER PRICE INFLATION FOR THE WESTERN CAPE AND SOUTH AFRICA, 2021 Q3



Source: Statistics South Africa, September 2021.

WESTERN CAPE FOOD INFLATION

In light of Covid-19, it has become increasingly important to closely track and monitor food price changes, as millions of South Africans are experiencing job losses and salary cuts, which further threatens 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 and increased to an average 7,0% in the third quarter of 2021, compared to 5,3% for the same period in 2020. The food items that showed the highest average inflation rates in the third quarter of 2021 were: oils and fats (19,9%); meat (10,2%); as well as sugar, sweets and deserts (6,7%). Fruit continues to experience a deflationary trend, reporting an average inflation rate of -4,0% for the quarter, which can be attributed to stronger volumes of fruit, signalling deflationary pressure.

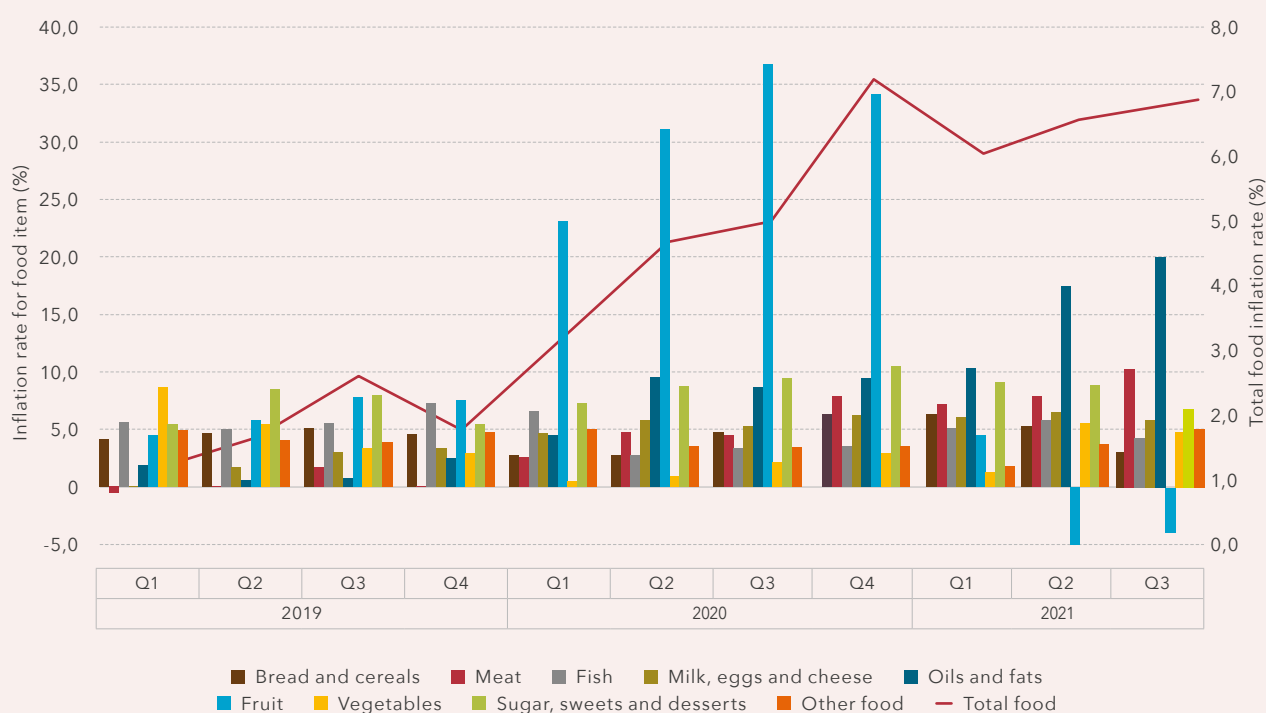
The broader oils and fats category continues to record the highest inflation rate as a result of rising vegetable

cooking oil prices. This is largely driven by poor harvests of oil-producing crops in the country while local demand remains strong. This has led to the increased dependence on imports, despite international prices of vegetable oil having surged due to supply shortages and weather concerns (Dludla, 2021).

Fruit continues to experience a deflationary trend, reporting an average inflation rate of -4,0% in the third quarter of 2021. The price of fruit is typically highly volatile. This quarter's performance can be attributed to the oversupply of fruits such as oranges, while prices were further impacted by logistical issues, export constraints, and the fruit season phasing out (Thukwana, 2021). The rising cost of agricultural inputs such as fertiliser, feed and fuel, as well as the rising global maize price, could further worsen the outlook on food inflation (Duvenage and Marais, 2021).



FIGURE 7: WESTERN CAPE FOOD PRICE INFLATION, 2019 Q1 TO 2021 Q3



Source: Statistics South Africa, October 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, Stats SA 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). Subsequently, Stats SA has indicated that the lifting of Covid-19 restrictions has allowed for face-to-face data collection to recommence. This has also allowed for the process of sample rotation to recommence, which meant that the sample changed in the second quarter of 2021. However, the same sample was also used for the third quarter of 2021. Further details on the methodology can be reviewed in the official [QLFS publication](#).

CAPE TOWN'S LABOUR MARKET PERFORMANCE

Cape Town's working age population (3,08 million) and the labour force (2,01 million) increased on both a quarter-on-quarter and year-on-year basis. Encouragingly, employment also increased on both a quarter-on-quarter (by 6 363 individuals) and a year-on-year (by 40 246 individuals) level, recording a total of 1,46 million individuals. The labour absorption rate (47,4%) and labour force participation rate (65,5%) remained the same when compared to the previous quarter of 2021. Both rates recorded increases when compared to the third quarter of 2020.

The number of discouraged work seekers increased on a quarter-on-quarter basis (by 10 719 individuals), while decreasing on a year-on-year basis (by 4 304 individuals) to 26 998 individuals in the third quarter. The relatively

small increase in employment was outweighed by the large increase recorded in the non-searching unemployment category, combined with the (albeit marginal) increase in searching unemployment. This resulted in a higher broad unemployment rate of 30,2%, up from the previous 29,8% recorded in the second quarter. At 30,2%, Cape Town's broad unemployment rate remained lower than any of the other metros in South Africa. This is, however, the highest level recorded for the broad unemployment rate in Cape Town since 2008.

TABLE 1: CAPE TOWN LABOUR MARKET INDICATORS

METRO	RECORDED			QUARTER-ON-QUARTER CHANGE	YEAR-ON-YEAR CHANGE
	2021 Q3	2021 Q2	2020 Q3	(vs 2021 Q2)	(vs 2020 Q3)
Working-age population	3 075 025	3 060 881	3 021 552	14 144	53 473
Broad labour force	2 088 071	2 068 137	2 000 541	19 935	87 531
Strict labour force	2 012 788	2 004 333	1 843 541	8 455	169 247
Employed: Total	1 458 402	1 452 039	1 418 157	6 363	40 246
Employed: Formal sector	1 242 293	1 207 579	1 177 638	34 714	64 654
Employed: Informal sector	126 414	152 140	151 652	-25 726	-25 238
Unemployed (strict)	554 386	552 293	425 385	2 092	129 001
Not economically active	1 062 237	1 056 549	1 178 011	5 689	-115 774
Discouraged work seekers	26 998	16 279	31 302	10 719	-4 304
Other not economically active	1 035 239	1 040 270	1 146 708	-5 031	-111 469

Source: Statistics South Africa, Quarterly Labour Force Survey, 2021 Quarter 3, December 2021.

EMPLOYMENT COMPARISON OF METROS

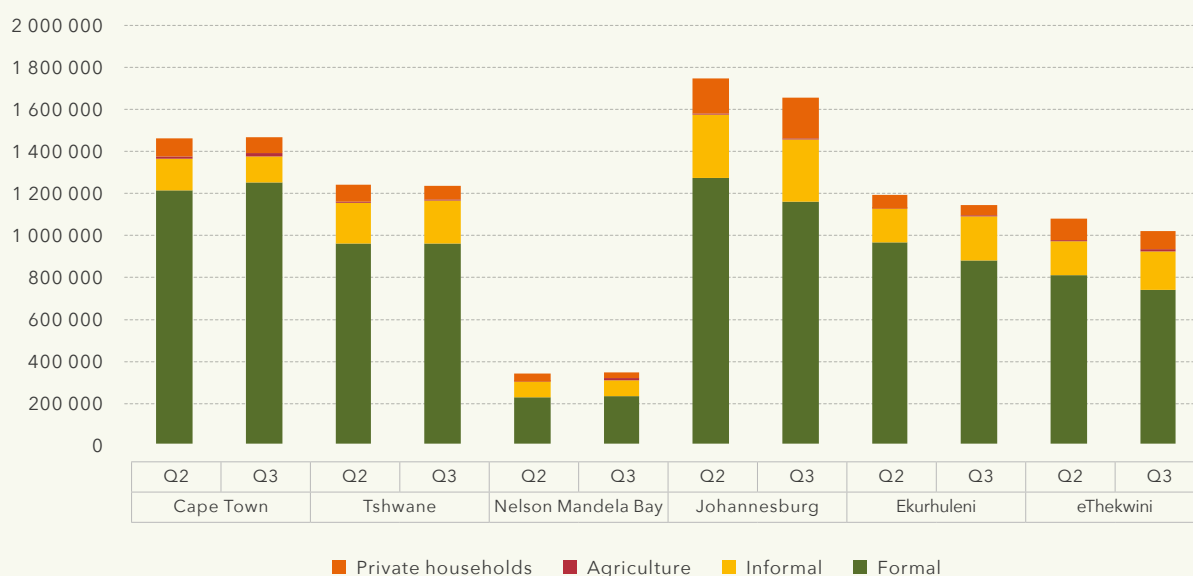
When measuring Cape Town's job creation performance, a comparison with other metropolitan municipalities (metros)⁶ in the country is helpful. In the third quarter of 2021, Cape Town continued to have the second highest number of employed people, at 1,46 million individuals. This is second only to Johannesburg, where 1,65 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 majority of the metros recorded decreases in total employment, while only two metros experienced minimal increases when compared to the second quarter of 2021. Cape Town added the most to employment (6 363 jobs) followed by Nelson Mandela Bay (5 509 jobs). This performance corresponds with the lifting of Covid-19 restrictions during the third quarter. The Gauteng province suffered significantly as all three of its metros experienced employment losses. Johannesburg recorded the largest decrease (-94 093

jobs), followed by Ekurhuleni (-52 393 jobs) and Tshwane (-5 994 jobs). eThekweni shed the second most jobs (-55 382 jobs) in the third quarter of 2021. This may have been driven by the impact of the third wave of Covid-19 during the second quarter, and could also be a reflection of the aftermath of the widespread looting that took place in KwaZulu-Natal and Gauteng in July.

Encouragingly for Cape Town, formal employment increased on both a quarter-on-quarter (34 714 jobs) and year-on-year (64 654 jobs) basis. In contrast, informal employment experienced a significant drop on both a quarter-on-quarter (-25 726 jobs) and year-on-year (-25 238 jobs) level. The agriculture category recorded employment gains (up by 7 189 individuals), while the private household category recorded employment losses (down by 9 814 individuals) when compared to the previous quarter.

FIGURE 8: EMPLOYMENT COMPARISON WITH OTHER METROS BY MAJOR SECTOR, 2021 Q3 VERSUS 2021 Q2



Source: Statistics South Africa, Quarterly Labour Force Survey, 2021 Quarter 3, December 2021.

⁶ 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 (by 2 092 individuals) and year-on-year (by 129 001 individuals) basis to record 554 386 individuals at the end of the third quarter. The increase in employment outweighed the minimal increase in unemployment, resulting in a slightly lower strict unemployment rate (27,5%) when compared to the previous quarter (27,6%).

The youth unemployment rate in Cape Town, defined as the strict unemployment rate for individuals aged 15 to 24, was estimated at 58,1% in the third quarter of 2021, having increased from 57,1% in the previous quarter. On a year-on-year basis, youth unemployment increased significantly from the 49,5% recorded in the same period of 2020, highlighting the impact of the pandemic. While this remains below the national youth unemployment rate of 66,5% recorded in the third quarter of 2021 (increasing from 64,4% 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. This is considered the highest recording for the strict youth unemployment rate since the implementation of the QLFS in 2008, for both South Africa and Cape Town.

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,

eThekweni had the lowest strict unemployment rate at 21,8% (down from the previous quarter's 26,0%), while Cape Town had the lowest expanded unemployment rate of 30,2% (up from the previous quarter's 29,8%) when compared to all the other metros.

Four metros experienced an increase in their strict unemployment rate, while two experienced a decrease when compared to the second quarter of 2021. All metros experienced an increase in their broad unemployment rate compared to the previous quarter. Johannesburg recorded the highest increases in both its strict (up by 3,4 percentage points to 40,8%) and broad (up by 3,1 percentage points to 46,7%) unemployment rates. eThekweni recorded the largest decrease in its strict unemployment rate (down by 4,2 percentage points to 21,8%). Cape Town recorded a minimal decrease of 0,1 of a percentage point in its strict unemployment rate, while recording an increase of 0,4 of a percentage point in its broad unemployment rate (30,2%).

Nelson Mandela Bay recorded the lowest difference between its two rates of unemployment (0,2 of a percentage point). eThekweni recorded a 17,8 percentage point difference, which is the largest of all the metros. Cape Town had a difference of 2,6 percentage points (second lowest) between the two rates of unemployment, which can be attributed to the city having a relatively smaller number (although increasing) of discouraged work seekers than the other metros.

TABLE 2: UNEMPLOYMENT RATE COMPARISON OF METROS, 2021 Q3 VERSUS 2021 Q2 AND 2020 Q3

METRO	OFFICIAL (STRICT)			EXPANDED (BROAD)		
	2021: Q3	2021: Q2	2020: Q3	2021: Q3	2021: Q2	2020: Q3
Cape Town	27,5%	27,6%	23,1%	30,2%	29,8%	29,1%
eThekweni	21,8%	26,0%	14,0%	39,6%	36,9%	37,1%
Ekurhuleni	33,7%	33,1%	32,3%	42,1%	39,2%	39,5%
Johannesburg	40,8%	37,3%	33,5%	46,7%	43,6%	40,9%
Nelson Mandela Bay	40,7%	39,8%	40,5%	40,8%	40,2%	41,0%
Tshwane	36,1%	35,8%	38,7%	39,6%	38,5%	41,7%

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

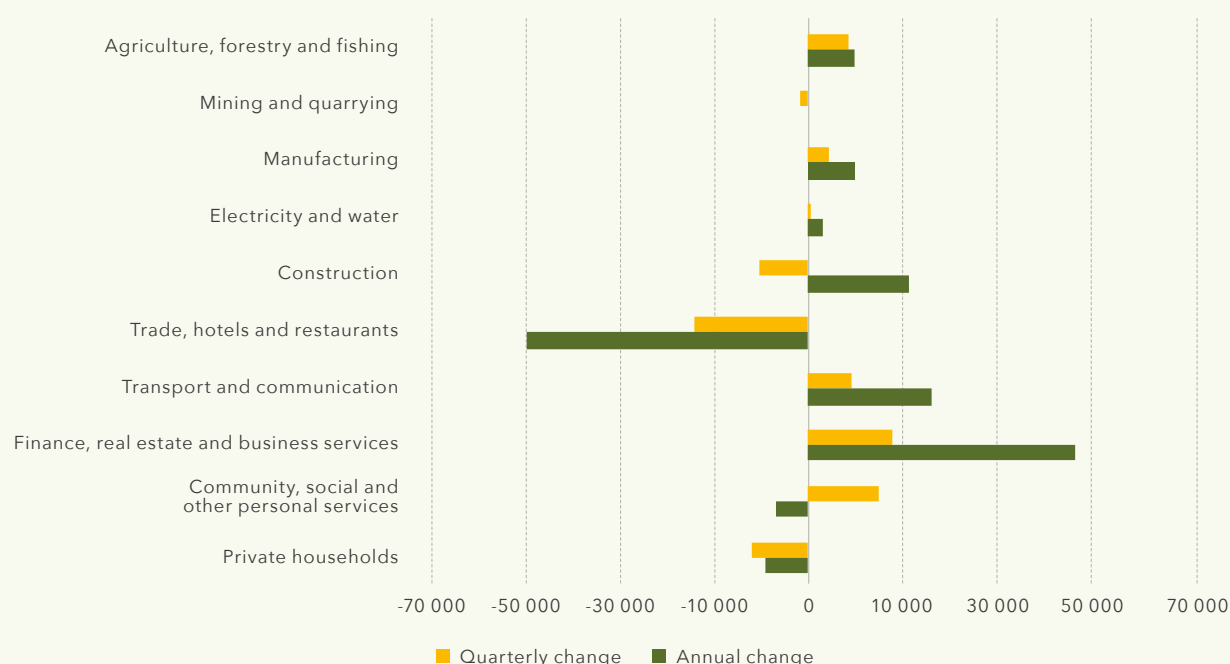
SECTOR EMPLOYMENT TRENDS FOR CAPE TOWN

Figure 9 presents the change in the level of employment by sector in Cape Town in the third quarter of 2021. Six sectors added positively to employment growth on a quarter-on-quarter basis, while four detracted from it. The finance, real estate and business services sector contributed the most to employment growth (14 965 jobs), followed by community, social and other personal services (12 569 jobs), as well as transport and communication (7 682 jobs). The agriculture, forestry and fishing sector, as well as the manufacturing sector, also contributed significantly to employment growth (7 189 and 3 895 jobs respectively). The electricity and water sector recorded a minimal contribution of 442 jobs.

The trade, hotels and restaurants sector recorded the largest decrease of 20 185 jobs, highlighting the tourism sector's continuing struggles as consumer confidence remains low due to the ongoing pandemic. This was followed by the private households' sector (-9 184 jobs) and the construction sector (-8 488 jobs). The mining and quarrying sector also recorded job losses (down by 1 211 jobs) when compared to the previous quarter.

Six sectors have shown signs of recovery, recording year-on-year employment gains compared to the third 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 47 432 jobs) followed by the transport and communication (22 061 jobs) and construction (18 062 jobs) sectors. Employment gains on a year-on-year basis were also recorded in the agriculture, forestry and fishing (up by 8 354 jobs), manufacturing (up by 5 155 jobs) as well as electricity and water (up by 2 680 jobs) sectors. Similar to their quarterly performance, trade, hotels and restaurants recorded the largest decrease of 49 821 jobs, followed by the private households (down by 7 524 jobs) and mining and quarrying (down by 419 jobs) sectors. The community, social and other personal services sector also displayed negative year-on-year employment growth (-5 685 jobs).

FIGURE 9: QUARTERLY AND ANNUAL CHANGE IN EMPLOYMENT PER SECTOR FOR CAPE TOWN, 2021 Q3



Source: Statistics South Africa, Quarterly Labour Force Survey, 2021 Quarter 3, December 2021.

06





INFRASTRUCTURE AND TRADE

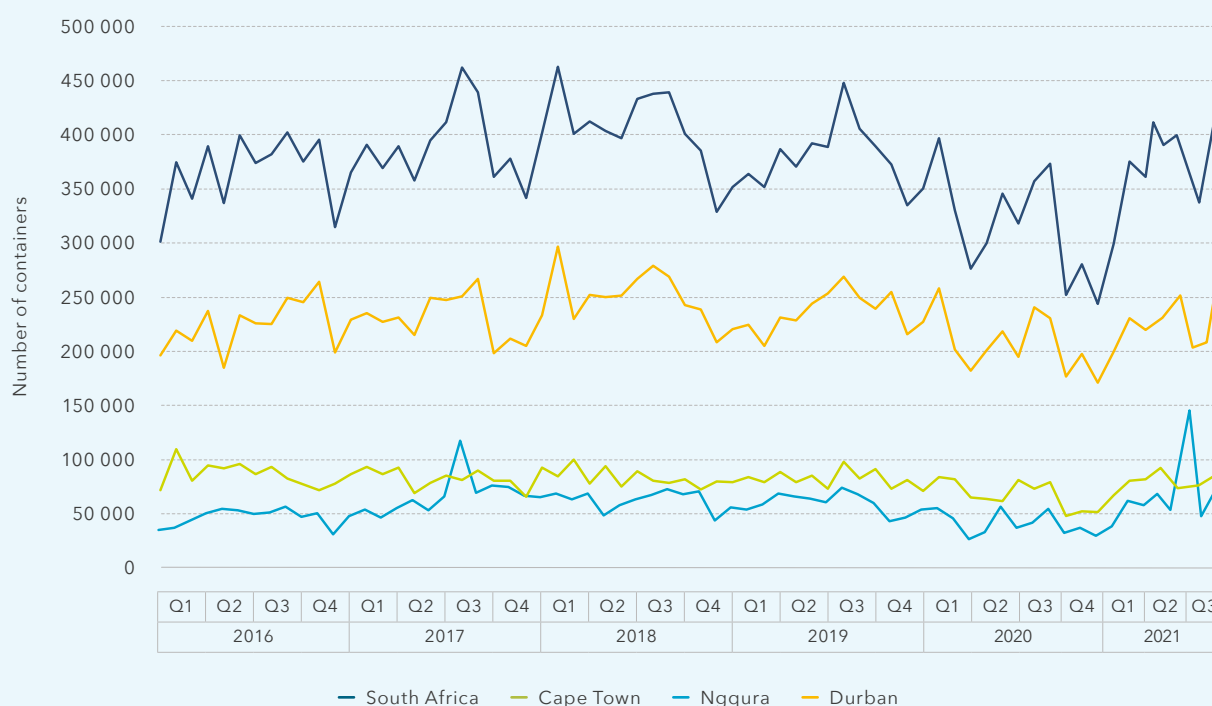
Cape Town is often cited as the gateway to South Africa and Africa. This status is sustained by the city's well-developed transportation infrastructure, including having South Africa's second-busiest airport, and (historically) its second-busiest container port. This section reviews infrastructure developments 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),⁷ over the period of a year. In the third quarter of 2021, the Port of Durban⁸ remained the largest container

handling port in South Africa, handling a total of 675 869 TEUs, which accounted for 57,1% of all containers handled in the country. It was followed by the Port of Ngqura (20,7%)⁹ and the Port of Cape Town (16,6%).

FIGURE 10: TOTAL CONTAINERS HANDLED (NATIONALLY), 2016 Q1 TO 2021 Q3



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

As shown in table 3, the total number of containers handled at South African ports increased on a year-on-year basis. Containers handled nationally increased by 14,0%, from 1 039 183 TEUs in the third quarter of 2020 to 1 184 687 TEUs in the third quarter of 2021. While this points to a recovery, the total figure remains lower when compared to the same period in 2019. The Port of Cape Town experienced a decrease from 206 699 TEUs in the third quarter of 2020 to 196 465 TEUs in the third quarter of 2021, reflecting a year-on-year decline of 5,0%. The Port of Ngqura recorded the highest increase (80,9%) of all the ports, however this performance was impacted by "provisions made and which were only corrected in August 2021" (Dikgomo, 2021), and is thus not an accurate reflection of containers handled during the period under review. The Port of Durban increased by 4,2% when compared to the third quarter of 2020.

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 2,1% in TEUs landed, from 60 531 TEUs in the third quarter of 2020 to 61 782 TEUs in the third quarter of 2021. The number of TEUs shipped decreased by 1,0% from 83 496 TEUs in the third quarter of 2020 to 82 649 TEUs in the third quarter of 2021.

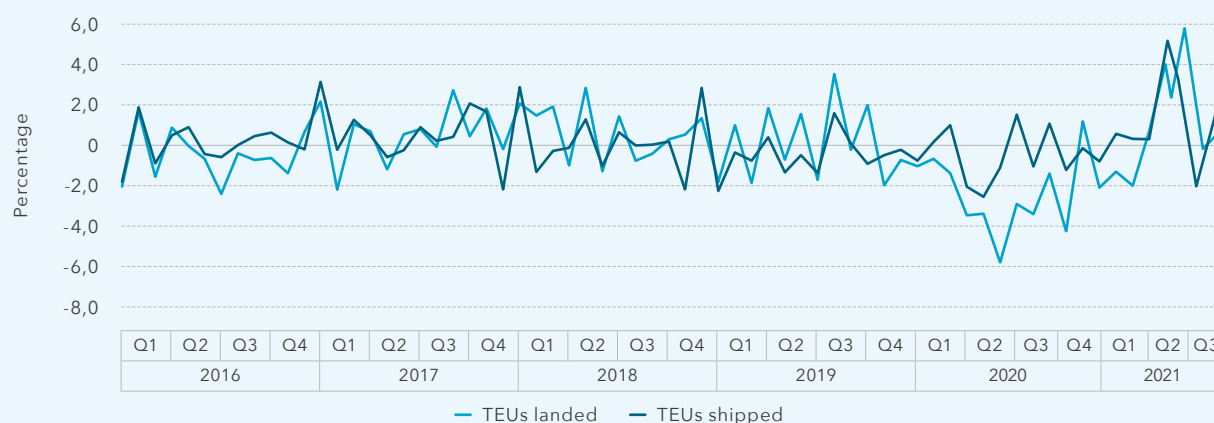
In July 2021, Transnet declared a force majeure¹⁰ at the country's key container terminals due to disruptions caused by a cyber attack. The week-long crisis impacted the operating systems at the country's major ports resulting in the worsening of the logistical congestions as the cyber attack forced a manual recording of the movement of vessels (Port Strategy, 2021). While the force majeure was shortly lifted as the cyber attack

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

	2021 Q3	2021 Q2	2020 Q3	YEAR-ON-YEAR CHANGE
South Africa	1 184 687	1 190 442	1 039 183	14,0%
Cape Town	196 465	231 069	206 699	-5,0%
Durban	675 869	738 406	648 655	4,2%
Ngqura	245 632	174 601	135 749	80,9%

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

FIGURE 11: ANNUAL CHANGE IN TEUs HANDLED AT THE PORT OF CAPE TOWN, 2016 Q1 TO 2021 Q3



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

was contained, it however exposed the vulnerability of the country's strategic points, threatened the country's status as the 'Gateway to Africa' and inflicted financial losses, thus further delaying the country's economic recovery.

⁷ 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.

⁸ The Port of Durban is located in the eThekwinini metro municipality.

⁹ The Port of Ngqura is located in the Nelson Mandela Bay metro municipality.

¹⁰ 'Force majeure' is an unanticipated or uncontrollable event that releases a company from fulfilling contractual obligations.



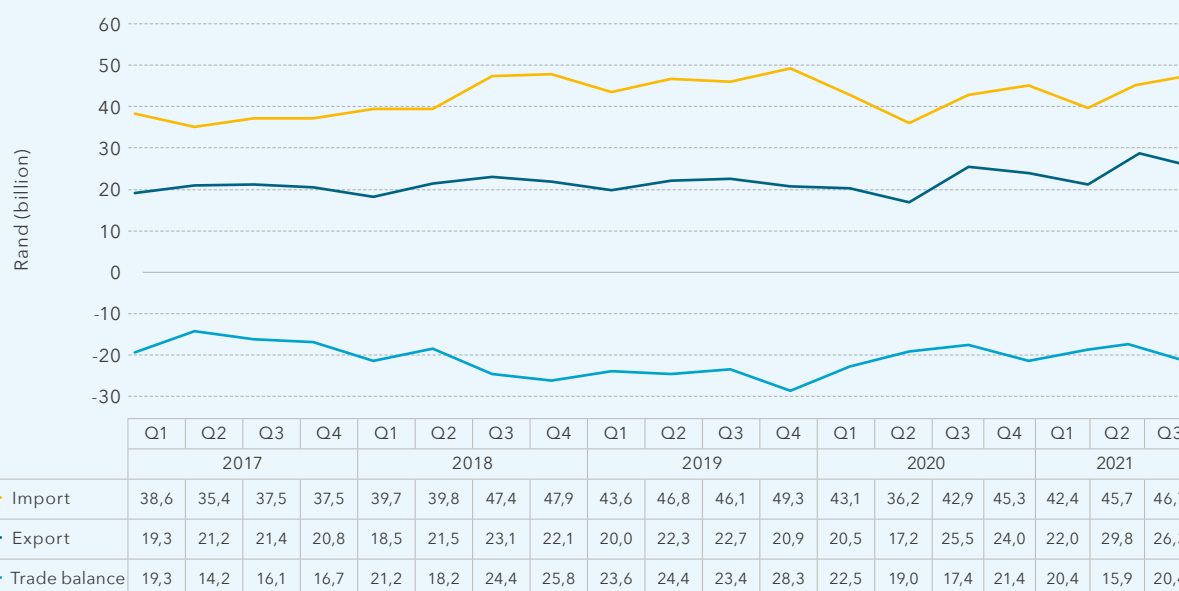
CAPE TOWN TRADE

In the third quarter of 2021 exports decreased from an all-time high recorded in the previous quarter, while imports increased, as illustrated in figure 12, which shows the quarterly trade balance for Cape Town. Exports declined by 12,7% to R26,3 billion and imports increased by 2,3% to R46,7 billion. The export of crude petroleum – a non-local product – drove the notable rise in the second quarter and was the main contributor towards the decrease recorded in the third quarter. The largest quarterly growth in exports was for refined petroleum, while refined petroleum was also the largest import in the third quarter, making up 38% of the total

import value. As Astron's Cape Town refinery remains shut down (Ship & Bunker News Team, 2021; West, 2021), there may have been re-exporting of this product.

The value of exports, when compared to the same period in 2020, increased by 3%, while comparisons to the third quarter of 2019 saw 15,8% growth. The value of imports increased by 9,8% year-on-year and only 1,5% when compared to the same period in 2019. While export values continue to surpass pre-Covid-19 levels, the slower recovery of imports may be attributed to suppressed [local] consumer demand.

FIGURE 12: CAPE TOWN'S TRADE BALANCE, 2017 Q1 TO 2021 Q3



Source: Quantec, 2021.

Cape Town's top 10 exports in the third quarter of 2021, shown in table 4, account for over half of total exports (51,4%). Interestingly, year-on-year growth from 2020 (3,0%) was lower than growth in the third quarter of 2019 (15,8%), revealing the strength of trade after the hard lockdown in 2020. When compared to the third quarter of 2020, the largest year-on-year decline in the top 10 exports was for citrus (-14,2%). The pandemic created a high demand for healthy food, high in vitamin C, which together with high yields led to the largest quarterly export of citrus in the third quarter of 2020 (Patel, 2020). After that record-breaking performance, 2021 figures still showed a 16,6% increase on 2019 third quarter figures, revealing the second highest seasonal export of the fruit ever recorded.

Although crude petroleum and refined petroleum were the second and third largest export categories in the third quarter of 2021, with crude oil experiencing the

highest increases, Cape Town is still a net importer of petroleum. Refined petroleum was the highest value import into Cape Town in the third quarter of 2021, with a value of R17,6 billion.

Exports of yachts and jewellery with precious metal increased by 15,4% and 3,0% year-on-year and by 71,6% and 72,3%, respectively, from 2019 third quarter levels. Engine parts and beauty products were other luxury categories that remained in the top 10, showing year-on-year increases of 130,6% and 4,7% 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 as they often do, and experienced declines from 2019 third quarter levels of -21% and -28% respectively. Antiques older than 100 years, which are occasional exports of high value, were a new entry into the top 10 for this quarter.



TABLE 4: CAPE TOWN'S TOP 10 EXPORTS, 2021 Q3

CAPE TOWN'S TOP EXPORT CATEGORIES FOR 2021 Q3 (HS 4) ¹¹	ZAR MILLION	% OF TOTAL EXPORTS	YEAR-ON-YEAR CHANGE	
			VS 2020 Q3	VS 2019 Q3
Citrus	R4 274,84	16,3%	-14,2%	16,6%
Crude petroleum oils	R1 992,78	7,6%	235 553 659,3%	67 162,4%
Refined petroleum oils	R1 952,77	7,4%	21,8%	-55,3%
Apples and pears	R1 411,00	5,4%	7,1%	29,0%
Engine parts	R691,40	2,6%	130,6%	11,5%
Yachts and other pleasure vehicles	R662,94	2,5%	15,4%	71,6%
Jewellery with precious metal	R577,92	2,2%	3,0%	72,3%
Beauty and make-up	R555,67	2,1%	4,7%	38,8%
Antiques older than 100 yrs	R491,52	1,9%	65,5%	557,7%
Frozen fish, excl. fillets	R454,60	1,7%	-11,1%	1,7%
Total of top 10 export categories	R13 519,86	51,4%		
Total of ALL products	R26 293,00	100,0%	3,0%	15,8%

Source: Quantec, own calculations, November 2021.

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

¹¹ 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. These trends impact significantly on the performance of passenger numbers in the quarter under review.

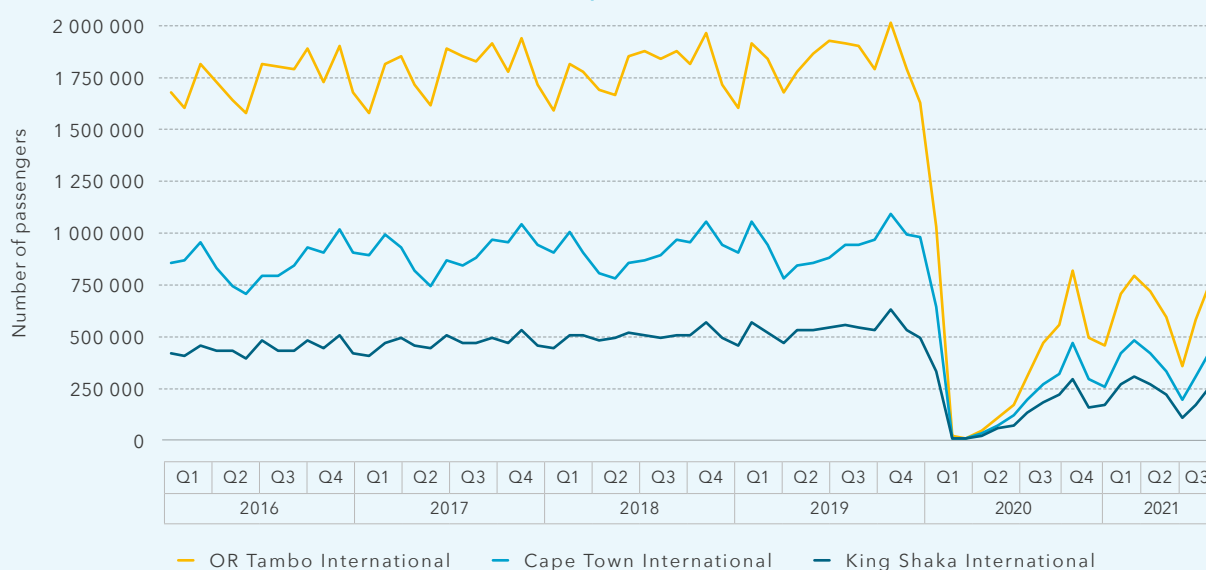
Cape Town International Airport is South Africa's second-busiest airport, after OR Tambo International Airport in Johannesburg. It recorded 923 111 total passenger movements (arrivals and departures) in the second quarter of 2021, compared to 1,7 million passenger movements at OR Tambo International and 529 767 at King Shaka International during the same period.

To account for seasonal trends, passenger statistics are best analysed at a year-on-year level. For the third quarter of 2021, all three international airports recorded positive year-on-year performances. 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 third quarter of 2021 remain amplified (on average exceeding 150%) due to the low base numbers of the third quarter of 2020. It is therefore more appropriate to compare the performance of the third quarter of 2021 to the same period in 2019. This reveals that air passenger movements remain, on average, 67,3% lower than pre-pandemic levels, which is illustrated in figure 13.

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 third quarter of 2021 were 64,9% lower than in the third quarter of 2019. Similarly, passenger movements for OR Tambo and King Shaka International Airports were 70,0% and 67,0% lower, respectively, when compared to the same period in 2019. In addition, all three international airports recorded lower passenger movements when compared to the previous quarter. This trend corresponds with increased lockdown restrictions, which included the prohibition of leisure travel in and out of Gauteng (Friedman, 2021).

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 third quarter of 2021, only 18,5% of total passenger movements at South Africa's international airports constituted international arrivals, compared to 31,0% recorded in the third quarter of 2019.

FIGURE 13: TOTAL (MONTHLY) PASSENGER MOVEMENTS AT SOUTH AFRICA'S MAJOR AIRPORTS, 2016 Q1 TO 2021 Q3



Source: Airports Company South Africa, November 2021.

COMMERCIAL AND INDUSTRIAL ELECTRICITY USAGE

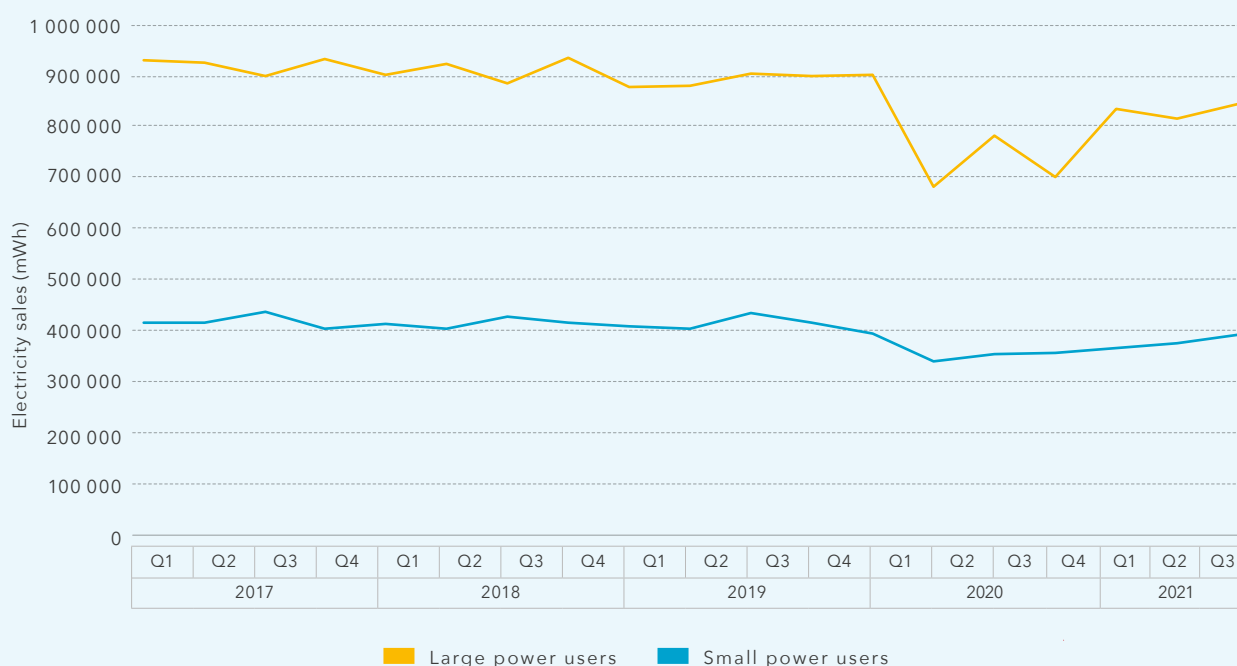
Electricity is an important driver of economic activity as it is a key input in most production processes. This is especially true in economies with greater proportions of secondary and tertiary sector activities, such as those of South Africa and Cape Town. Consumption of electricity, by large power 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. Although the easing of stringent lockdown restrictions in May 2020 resulted in an upswing in electricity consumption, there

was still a decline in overall electricity sales in the second quarter of 2020. Electricity sales to LPUs, in particular, fluctuated in the second half of 2020, increasing in the third quarter before dropping significantly in the fourth quarter, largely due to businesses closing down for holidays in December. On the other hand, electricity sales to SPUs increased steadily over the same period.

The resumption of economic activity in January 2021 led to a rise in electricity sales to both LPUs and SPUs in the first quarter of 2021. However, electricity sales to LPUs declined in the second quarter of 2021, partly due to load-shedding. Improvement in electricity supply in the third quarter of 2021 resulted in an increase in electricity sales to LPUs and SPUs as illustrated in figure 14.

FIGURE 14: CAPE TOWN'S COMMERCIAL ELECTRICITY USAGE, 2017 Q1 TO 2021 Q3



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

Electricity sales to commercial and industrial customers in the third quarter of 2021 were generally higher than in the corresponding period in 2020. While electricity sales to LPUs grew by 7,6%, sales to SPUs increased by 10,4% year-on-year. Combined electricity sales increased by 8,5% year-on-year in the third quarter of 2021. This growth is, however, off a relatively low base

as electricity sales in the third quarter of 2020 were less than pre-Covid-19 levels due to the impact of lockdown restrictions on businesses. Nonetheless, growth in electricity sales in the third quarter of 2021 is indicative of increased manufacturing activity in Cape Town and signals that the economy is continuing to recover from the negative impact of the 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,¹² 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 August to September 2021 had a total response rate of only 45 tourism accommodation establishments, of which a majority are based in the Cape Town metropolitan area.

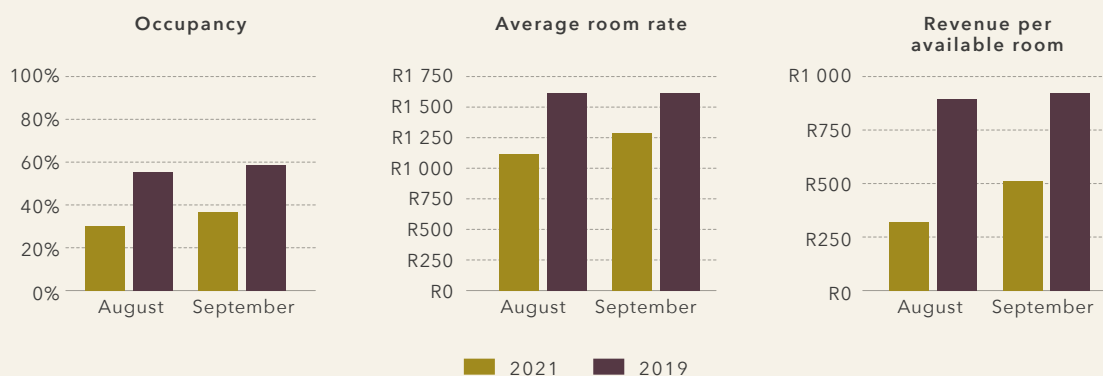
As the majority of accommodation establishments would have either been closed or at extremely low capacity in the third quarter of 2020 due to the nationwide lockdown restrictions applicable at the time, CTT provided an analysis of August and September of 2021 compared to the same period in 2019. As illustrated in table 5, occupancy rates at accommodation establishments remain lower than for the corresponding period in 2019, however, an improvement [in the difference] is evident in September 2021. Similarly,

the average room rate and revenue per room rate remains lower in the third quarter of 2021 than over the same period in 2019. Given the low number of international travellers, demand for accommodation during the third quarter of 2021 was driven by the domestic market. Despite several changes to the lockdown restrictions during the third quarter, the survey revealed that domestic leisure travellers outperformed business travellers. In contrast, international travellers numbers were made up more of business travellers than leisure.

As the country surpassed the peak of its third wave of the pandemic, lockdown restrictions were eased in September, which also marked Tourism Month. This allowed various industry stakeholders such as the City of Cape Town, Cape Town Tourism, Wesgro and the Western Cape Government to shine a spotlight on the strategies and programmes aimed at reigniting the tourism sector. These include local campaigns, as well as several initiatives to stimulate the international market (Cape Town Green Map, 2021; Western Cape Government, 2021).

The third quarter of 2020 marked the resumption of the recording of visitor numbers at Cape Town's five major tourist attractions,¹³ thus allowing for year-on-year comparisons to be made. As visitor numbers were significantly low in the third quarter of 2020 – as a result of travel restrictions and constrained household income – visitor numbers in the third quarter of 2021 recorded a year-on-year increase of 94,1%. However, when compared to the third quarter of 2019, visitor numbers were 71,5% lower, illustrating a notably slow recovery and showing that the industry continues to face challenges.

TABLE 5: TOURIST ACCOMMODATION INDICATORS, 2021 Q3



Source: Cape Town Tourism, 2021.

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

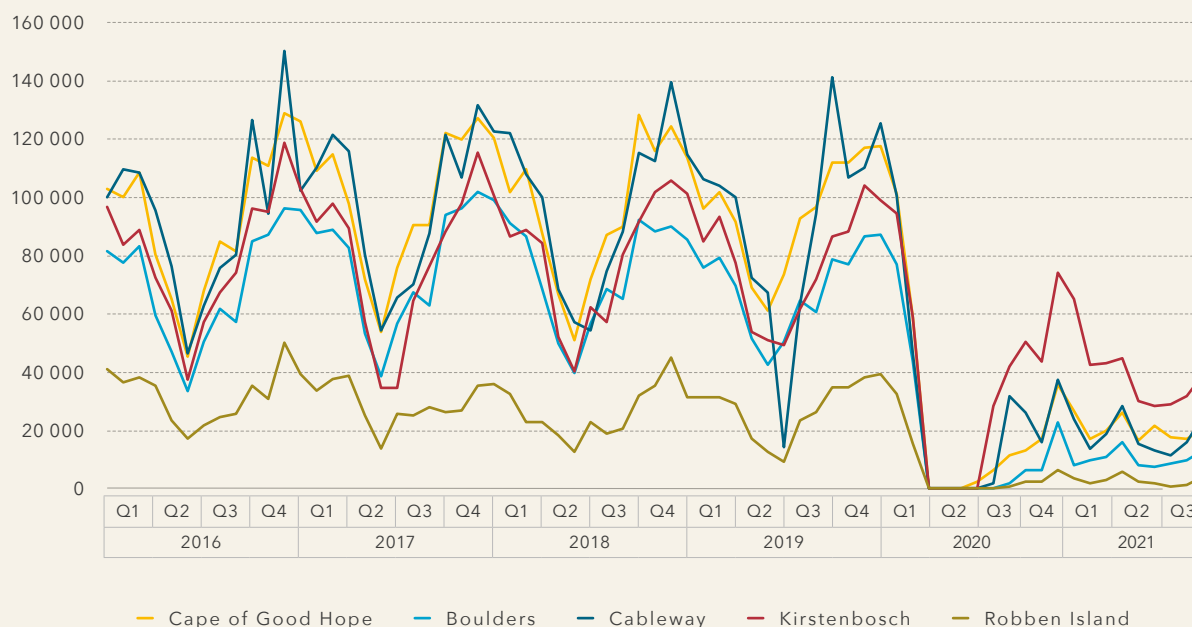
In the third quarter of 2021, Kirstenbosch National Botanical Gardens recorded the highest number of visits (99 435). Owing to its nature and capacity, it recorded the lowest year-on-year performance (42,8%). This can be attributed to the higher visitor numbers in the third quarter of 2020, compared to the other major attractions, as the venue benefited from its ability to provide better public access during the periods of restriction. Likewise, Kirstenbosch National Botanical Gardens also recorded the lowest recovery gap when compared to the third quarter of 2019 (-45,4%).

The Cape of Good Hope recorded the second highest visitor numbers (54 903) in the third quarter of 2021, followed by Table Mountain Aerial Cableway (51 760). While these translated into positive year-on-year growth, they remain, on average, 74,5% lower when compared to the same period in 2019. Boulders Beach recorded 31 053 visitor numbers in the third quarter of 2021, and

Robben Island 5 151 visitor numbers. Their performance remains 82,3% and 91,1% lower, respectively, when compared to the third quarter of 2019, reflecting their high dependency on the international tourist market.

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. As such, it is normal for visitor numbers to show quarter-on-quarter increases in the third quarter each year. For the third quarter of 2021, however, the majority of the major attractions recorded a decline when compared to the previous quarter. The [total] quarter-on-quarter decline of 7,8% may be attributed to higher restrictions imposed during the period as the country faced the third wave of the Covid-19 pandemic.

FIGURE 15: TOTAL (MONTHLY) VISITS TO THE TOP FIVE TOURIST DESTINATIONS OF CAPE TOWN, 2016 Q1 TO 2021 Q3



Source: Wesgro, November 2021.

¹² As most accommodation establishments were closed or greatly restricted in their services and/or clientele during the respective lockdown levels, Cape Town Tourism did not conduct its usual monthly accommodation survey.

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

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

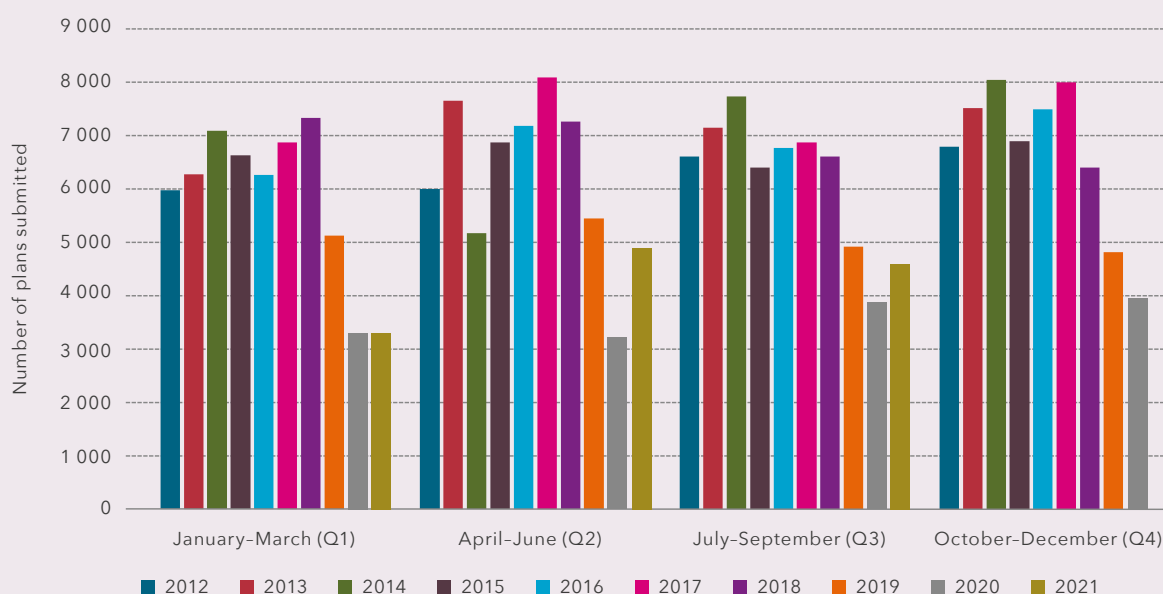
The economic growth data for the third quarter of 2021 show that national output in the construction industry declined by 1,9% quarter-on-quarter, thus struggling to maintain its recovery momentum since its significant decline in the second quarter of 2020 due to the nationwide lockdown. After rebounding in the previous quarter, the sector recorded growth of 0,7%, at a year-on-year level, in the third quarter of 2021. The Western Cape's construction industry mirrored these national trends, recording a quarter-on-quarter contraction of 1,3%, while growing by 0,8% on a year-on-year basis in the third quarter of 2021 (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 low base recorded in the third quarter of 2020, at which time the country was transitioning to lower lockdown levels following the stringent restrictions in the previous quarter.

Since recovering from its all-time low of four index points in the second quarter of 2020, the First National Bank (FNB)/BER Building Confidence Index (BCI)¹⁴ declined by 4 index points in the third quarter of 2021 to record 35 index points. In addition, 65% of the survey respondents remain dissatisfied with the prevailing business conditions within the sector. According to an FNB senior economist, "barring retailers of hardware, confidence among all the sub-sectors moved lower in the [third] quarter... [From] the perspective of the 'core' building sector, confidence was at a lowly 20" (BER, 2021e).

Despite the Building Confidence Index highlighting the continued trend of the residential component outperforming the non-residential counterpart, the City's building plans data signal a shift within the industry. In the third quarter of 2021 non-residential building completions comprised a higher portion [of total building completions] when compared to the previous quarter and year, as well as exceeded the residential proportion in the current quarter. In the third quarter of 2021, 26% of completions were categorised as residential and 33% non-residential, compared to 42% and 16%, respectively, in the second quarter of 2021, and 38% and 17%, respectively, in the third quarter of 2020.

The tenuous state of the sector is further evident in the number of building plans submitted to the City for approval, which totalled 4 612 in the third quarter of 2021. While this represents a year-on-year improvement of 19,2% when compared to the third quarter of 2020, it is a slight drop (-6,4%) when compared to the previous quarter, as well as 6,3% lower when compared to the third quarter of 2019 (pre-pandemic). 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 Q3



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

¹⁴ The FNB/BER Building Confidence Index captures the percentage of architects, quantity surveyors, and contractors and manufacturers of building material, who are satisfied with, or wary of, the prevailing business conditions.





NEW VEHICLE SALES

Total vehicle market sales in the Western Cape experienced an increase of 2,2% (278 units), recording 13 160 units sold in the third quarter of 2021, compared to 12 882 units sold in the second quarter of 2021. On a year-on-year basis, vehicle sales experienced an increase of 22,1% (2 384 units) from 10 776 vehicles sold in the same period of 2020. Passenger vehicle sales in the Western Cape, which represents the private consumer segment of the market, increased from 8 523 vehicles in the second quarter of 2021 to 9 067 vehicles in the third quarter of 2021. The year-on-year results showed an increase of 30,6% (2 122 units) from 6 945 vehicles sold in the third quarter of 2020. At a national level, passenger vehicle sales reported a year-on-year increase of 27,9% (16 609 units), increasing from 59 534 units in the third quarter of 2020 to 76 143 units in the third quarter of 2021.

The new vehicle market continued to demonstrate gradual recovery in the third quarter of 2021, despite various market challenges, including: the shortage of semi-conductors influencing the availability of certain car models; the economic disruptions due to the civil unrests; the cyber attack on Transnet port operations which worsened logistical challenges; the lack of quality used vehicle supply; rising unemployment; the undesirable exchange impact; and the growing pressure on disposable income (Reddy, 2021).

TransUnion's Vehicle Pricing Index (VPI) report shows that new passenger vehicle finance deals increased by 8% on a year-on-year basis in the third quarter of 2021, while used passenger vehicle finance deals increased by 11%. The used-to-new ratio increased from 2,35 in the third quarter

of 2020 to 2,41 in the third quarter of 2021, as vehicle buyers are continuing to choose used vehicles, especially demo models, on the back of shrinking supply levels of new and quality used vehicles and the growing strain on disposable income. The VPI¹⁵ for new vehicles declined to 3,8% in the third quarter of 2021, compared to 7,6% recorded in the third quarter of 2020, while the VPI for used vehicles increased to 5,9% in the third quarter of 2021, compared to 2,3% recorded in the same period in 2020. This shows that new car price inflation has significantly slowed in the third quarter of 2021, while used car prices have surged above the inflation rate of 4,9% for the quarter (Reddy, 2021).

The outlook for the local automotive industry suggests that the vehicle shortage, largely attributable to the semi-conductor chips crisis, is projected to persist until the middle of 2022 before stabilising. In addition, the combination of economic challenges, the country's growing debt levels and ongoing electricity supply constraints are likely to slow down the recovery to pre-Covid-19 levels (NAAMSA, 2021b). Furthermore, the pressure on quality used cars is expected to continue until used car prices are exorbitantly expensive in relation to new vehicles, while consumers are also capitalising on low interest rates, thus placing further upward pressure on prices (Reddy, 2021).

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

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ABBREVIATIONS

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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