

EPIC

ECONOMIC PERFORMANCE
INDICATORS FOR CAPE TOWN

2024 QUARTER 1
(JANUARY-MARCH)



CITY OF CAPE TOWN
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The image is a vertical split composition. The left half shows an older Black man with a grey beard and hair, wearing a light-colored suit, running on a paved surface. The right half shows a coastal scene with a modern building featuring a large, white, wing-like roof structure, situated on a hillside overlooking the ocean. The background includes a hillside with sparse vegetation and a residential area with houses.

MAKING PROGRESS
POSSIBLE.

TO
GET
HER.

ACKNOWLEDGEMENTS

The EPIC publication is a collaboration between the Economic Development and Investment and Policy and Strategy departments of the City of Cape Town. It presents an analysis of economic and related trends in Cape Town on a quarterly basis. This edition focuses on the first quarter of 2024, covering the period from 1 January to 31 March 2024.

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ADDITIONAL SOURCES OF INFORMATION

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FOREWORD

2024 marks a milestone year in terms of national elections, with at least 64 countries (and the European Union) heading to the polls. These elections could significantly impact economies, environments and communities for generations to come.

Fortunately, citizens of Cape Town can have great confidence in the policies that have been developed and implemented here in the City of Cape Town, which are proven to enable Cape Town and its people to navigate global shocks and remain resilient in the face of uncertainty. This resilience has recently been demonstrated, yet again, by the fact that, despite the challenges being experienced at the Port of Cape Town, we have managed to increase the quantities of goods exported from here.

This recent trade success coincides with the opening of the City's Invest Cape Town Centre, a dynamic hub for economic activity that showcases City initiatives and projects and promotes locally made products, thereby helping to position Cape Town as a leading business destination on the African continent.

Since its launch in January 2024, the centre has featured products from local clothing and textile manufacturers, tech businesses, and food and beverage companies. Beyond its role in showcasing these products, it has also played host to numerous networking events and engagements with domestic and global investors, high-level delegations and many other stakeholders in the growth, development and future of Cape Town.

The City's support for local producers is further highlighted by the Cape Trade Portal, administered by Wesgro. This digital marketplace connects Cape-based exporters directly with buyers, and serves as a centre for skills development. The portal, which began with 115 registered exporters and 600 products in 2022, has grown to feature 1 465 exporters and more than 6 300 Western Cape products.

In March, I had the pleasure of joining the Cape Trade Portal team for the 'Made in the Cape' expo, which connected 420 exporters with buyers from 23 countries, including Ghana, the USA, Canada, Kenya, France, and Cameroon.

Platforms like the portal and the Invest Cape Town Centre play a crucial role in promoting locally produced goods, especially with the African Continental Free Trade Area – the world's largest free trade area – on the horizon. This agreement has the potential to help lift millions out of poverty and create a bright future for our continent and its people.

Given all these initiatives, and the commitment by the City of Cape Town to continue developing innovative, business-building policies and programmes aimed at stimulating supply and demand across various industries, I am confident that Cape Town is poised for a fantastic financial year ahead. Let us all contribute to making that a reality.



ALDERMAN JAMES VOS
*Mayoral Committee Member
for Economic Growth*

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INTRODUCTION

In this 44th edition of the quarterly EPIC publication, we again present statistics for, and analyses of, Cape Town's key economic trends. This edition focuses on the quarterly developments for the period 1 January to 31 March 2024.

Despite expectations of a slight economic expansion in the first quarter, the South African economy surprised on the downside with a contraction of -0,1%. This is a result of declining levels of spending in the economy across all the main expenditure categories (household consumption, government and fixed investment) and is likely indicative of low levels of confidence in the economy. The Western Cape fared better than the national economy, recording GDP growth of 0,2% for the quarter, benefiting from the recovery in the agricultural sector. However, this still means that the provincial economy has only grown by 0,5% (with Cape Town unlikely to be much more than that) since the same time last year.

Following the latest GDP release, the Bureau of Economic Research (BER) (2024) is now forecasting that the South African economy will grow by 1% in 2024. According to the IMF, the global economy is expected to grow by 3,2% over the same period, with sub-Saharan Africa (including South Africa) expected to grow even faster. All of which to say that the South African economy is significantly underperforming and this has a spill-over effect on both the provincial and city economies.

There is evidence that the low levels of growth in the economy are beginning to create a drag on the recently stellar labour market performance in Cape Town, with a quarter-on-quarter contraction in employment experienced in the first quarter of 2024. While employment is still significantly higher than it was a year ago, and remains much higher than its pre-Covid-19 level – which in the South African context is not something to be taken for granted – labour market performance has slowed in the last two quarters. This is evident not just in the employment figures, but also in the deterioration of some of the other key indicators.

In contrast to the inertia in some parts of the Cape Town economy, the tourism industry has remained a shining light in the last two quarters. Hotel occupancy rates are high and Cape Town International Airport continues to lead the way nationally in terms of passenger growth. The overall increase on pre-Covid-19 passenger movements for South Africa's airports in the first quarter of 2024 can wholly be attributed to Cape Town International Airport's 6,7% growth, with both OR Tambo and King Shaka still reflecting declines.

Further positive news comes in the form of encouraging growth in exports from Cape Town (reflected in both the trade and ports data) recorded in the first quarter (23,3%), despite well-documented inefficiencies at the Port of Cape Town. That said, while the ability of

Cape Town businesses to find a way around infrastructural challenges is admirable, sustainable, long-term economic growth remains predicated on an improvement of key economic infrastructure within South Africa.

Having ridden the momentum of a post-Covid-19 economic recovery, South Africa now finds itself in a position where its structural constraints, notably excessive load-shedding and ongoing transport infrastructure failings have been putting increasing pressure on the performance of the national economy, particularly in the latter part of 2023 and the first quarter of 2024. In this context, ongoing efforts by the City to enable economic growth through the provision of timely and effective infrastructure upgrades and expansions are of critical importance. Though some of the critical infrastructural assets are operated and maintained at a national level and by SOEs, the continued multi-stakeholder consensus regarding the importance of Operation Vulindlela provides hope that some of the issues at the country's ports (in particular) and with its rail infrastructure will be addressed.

Looking forward, the twin risks of load-shedding and inflation, which posed the main downside risks to economic growth this time last year, now appear to have cooled. The absence of load-shedding in quarter 2 is expected to result in a positive bump in manufacturing for that period. If this lack of load-shedding represents either an improvement in energy supply or the take-up of renewable energy substitutes, the Cape Town and national economies could experience faster growth than forecast. Similarly, a lower inflation outlook (4,6% by 2025) is expected to underpin the start of a rate-cutting cycle by the SARB in the last quarter of 2024. While this will certainly ease some of the pressure on consumers, the rate cuts should hopefully also stimulate consumer demand, which will have a positive knock-on effect on the economy.

Arguably the largest factor that will affect economic growth in the short to medium term is the domestic political situation – and in particular, whether the Government of National Unity (GNU) can provide the policy certainty and reform that the market craves. Early market responses to the GNU have been positive, with the rand showing marked improvement and the JSE doing well. If the GNU can continue to fuel this strong market sentiment, economic growth may well outperform expectations.

For Cape Town, the opportunity exists to leverage the stable governance of the city and the Western Cape to capitalise on any improved investor sentiment towards South Africa as a result of the GNU. This will be essential to sustain the city's impressive employment growth momentum of the past two years, which has shown signs of slowing in the last two quarters.

PAUL COURT
Chief Economist

KEY FINDINGS FOR THE FIRST QUARTER, 2024



In the first quarter of 2024, the **Western Cape economy** grew by 0,2% quarter-on-quarter (non-annualised), while the national economy recorded a contraction of -0,1%. The largest sectoral contraction in the province was recorded in the construction sector.



The Western Cape recorded an **inflation rate** of 5,9% at the end of the first quarter, an increase from the 5,6% at the end of the previous quarter. The national inflation rate at the end of the first quarter was slightly lower at 5,3%.



1,74 M

The number of people **employed** in Cape Town decreased by 46 077 on a quarter-on-quarter basis, to a total of 1,74 million in the first quarter of 2024. Compared to the previous quarter, the main [negative] contributors to employment during the period were the community and personal services (-30 942) and manufacturing (-24 738) sectors, while the transport and communication (+8 640) and finance, real estate and business services (+7 987) sectors recorded the highest quarterly gains in employment.



1 187 714

Cape Town's top five **tourist attractions** recorded a total of 1 187 714 visitor numbers in the first quarter of 2024.



72,8%

Accommodation establishments in Cape Town recorded an average **occupancy rate** of 72,8% in the first quarter. The domestic tourism market remains a dominant source of business for the sector.



2,74 M

Cape Town International Airport recorded 2,74 million **air passenger movements** in the first quarter of 2024. This also represents an increase of 6,7% in air passenger movements compared to the same period in 2020, prior to the Covid-19 disruptions.



+23,3%

On a quarter-on-quarter basis, Cape Town's [international] **trade** recorded an increase in **exports**, while **imports** decreased in the first quarter. Exports were mainly led by refined petroleum and grapes. On a year-on-year basis, first quarter exports increased by 23,3% from the levels in the first quarter of 2023.

01

SUCCESS STORIES



EENH



Greenfish is a low-impact fishing business that is well known for supplying top-quality catch to local favourites and top 10 restaurants globally.



Greenfish has recently opened its new factory, Greenfish Eva (Extra Value Add), in Maitland, Cape Town. Founded and led by brothers Andrew and Ryan Nienaber, the business is underpinned by their deep connection to, and reverence for, the ocean and the **blue economy**. Together they have a combined 60 years of experience in the fishing industry.

The Greenfish promise is to empower customers with sustainable seafood choices by ensuring that every fish is sourced through low-impact practices. Every fish they catch is treated with respect, and customers are provided with the information they need to make informed decisions, including species and method of catch. The Invest Cape Town team recently caught up with Ryan Nienaber to learn more about Greenfish.

Please explain your company's product and/or services in a nutshell.

We provide local, seasonal, low-impact fish, caught by traditional handline fishing communities, to Cape Town's top restaurants and home kitchens.

What made you choose to start a company in this industry?

My love for fishing, which is encapsulated in this video about how we started: <https://youtu.be/yjhTTuflTUI?si=zCBfX7V8ZWHw0QV7>

What are your biggest challenges and how are they being addressed?

The biggest challenges are fast-changing market conditions and shifting customer needs and preferences.

What advice would you give to other businesses facing similar challenges?

The more you put in, the more you get out. You must have love for what you do.

What is the most valuable lesson you have learned as a business owner?

No matter how difficult it gets, the sun will set today and there is a new day tomorrow; just keep going.

Why choose Cape Town as a location for your operations?

Cape Town is arguably the biggest food scene in SA, and the city is surrounded by two oceans full of beautiful produce.

What is your company's unique selling proposition?

Fresh fish. Most big companies focus on frozen; what we do requires care and love.

What are your company's biggest achievements to date?

Pivoting from B2B to B2C during the Covid-19 pandemic. Because of this, our company has grown by five times over the past few years.

What is your company strategy for growth and expansion?

We treat our team and customers like a family.

How do you measure success in your business?

By how much free time we have to play.

What are the company's plans for the next five years?

Exports, retail-ready packs, and add more value to all the fish we supply. We also want to see all our staff happy in their jobs.

Let us continue to champion sustainability in the ocean economy, just as Greenfish does. To delve deeper into their inspiring story or place an order for fresh seafood, visit their website at www.greenfish.co.za and follow them on [Instagram](#).

CAPE TOWN OVERVIEW

2024: QUARTER 1

GROSS DOMESTIC PRODUCT (GDP)



The **Western Cape** accounted for **R659 billion^a** of the **R4,64 trillion gross domestic product (GDP)** generated by South Africa in the first quarter of 2024. 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**

GDP GROWTH RATE



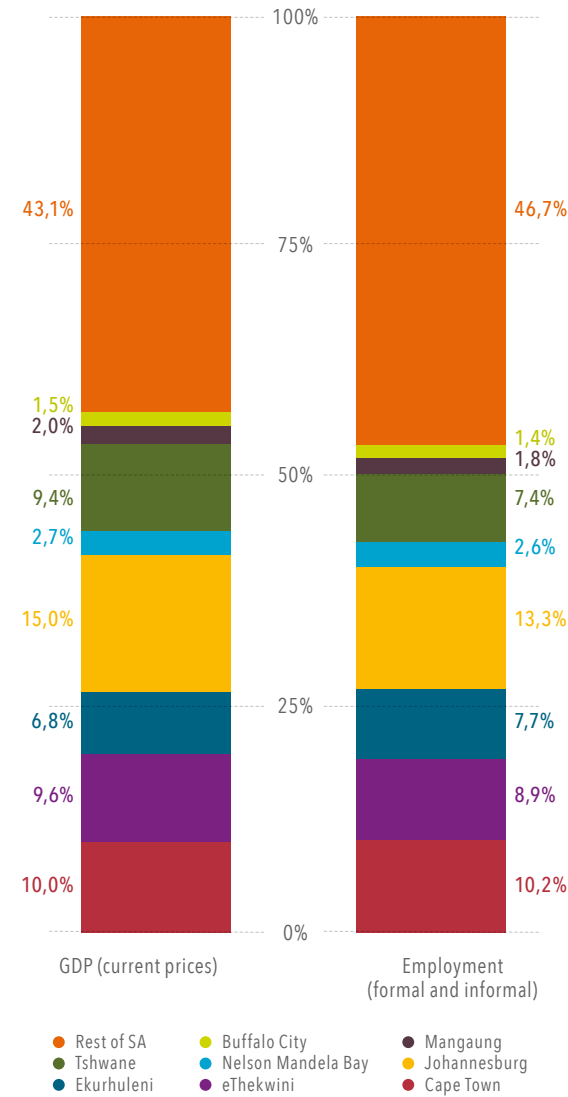
During the first quarter of 2024, the **Western Cape GDP grew by 0,2%,** while **national GDP contracted by 0,1%.^c**

GDP PER CAPITA



In 2023, **South Africa** had a **GDP per capita** of **R112 563**, while the **Western Cape's GDP per capita** was **R137 206** and **Cape Town's** was **R151 284.^d**

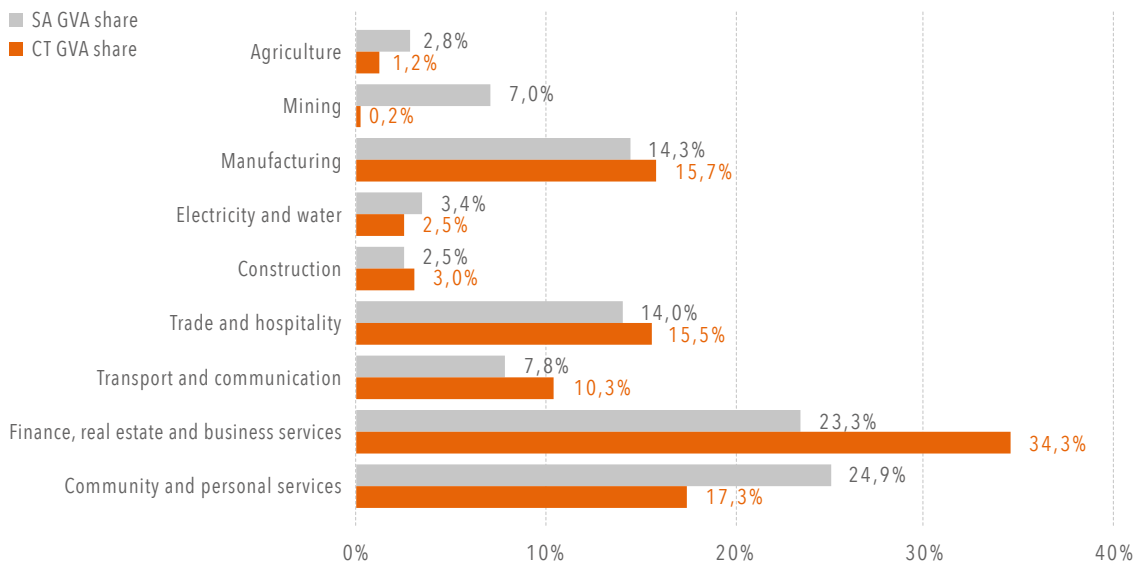
METRO CITIES' GROSS GEOGRAPHIC PRODUCT AND EMPLOYMENT CONTRIBUTIONS TO SOUTH AFRICA, 2023^e



a, c. At constant 2015 prices, seasonally adjusted and non-annualised. Source: Quantec, 2024; Statistics South Africa, 2024.
b, i. Source: South Africa Regional eXplorer, 2024.
d, e, f. At current prices. Source: South Africa Regional eXplorer, 2024.

g. Source: Statistics South Africa, 2024.
h. Source: Statistics South Africa, 2024; City of Cape Town, 2023a.
j. Source: ACSA, 2024.
k. Source: Wesgro, 2024.

CAPE TOWN GROSS VALUE ADDED (GVA) VERSUS NATIONAL GVA, 2023^f



INFLATION



5,9%

At the end of the first quarter of 2024, **South Africa** had an inflation rate of **5,3%**. The **Western Cape's inflation rate** for the same period was **5,9%**.^g

POPULATION



4 772 846

South Africa has a population of **62 027 503**. A total of **7 433 020** people (11,9% of the national population) live in the **Western Cape**. Of those, **4 772 846** are residents of **Cape Town**.^h

GINI COEFFICIENT



0,58

In 2023, **South Africa** had a Gini coefficient of **0,60**, while **Cape Town** had a slightly lower value of **0,58**.ⁱ

AIR PASSENGERS



2 743 032

During the first quarter of 2024, **2 743 032 passengers** moved through **Cape Town International Airport**.^j

ATTRACTIONS



1 187 714

In the first quarter of 2024, tourists and residents made 1 187 714 visits to Cape Town's five major attractions.^k

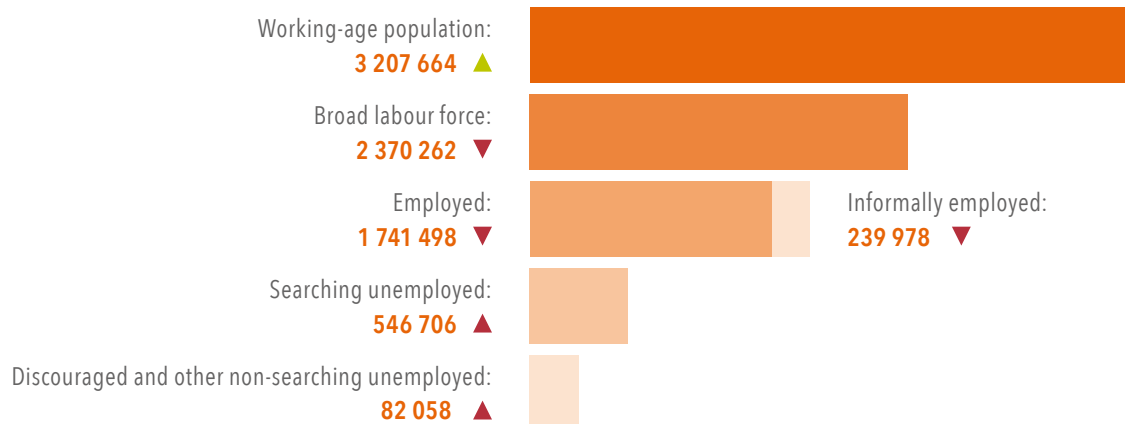
LABOUR OVERVIEW

2024: QUARTER 1

LABOUR MARKET INDICATORS, 2024 Q1 (QUARTER-ON-QUARTER CHANGES)^l

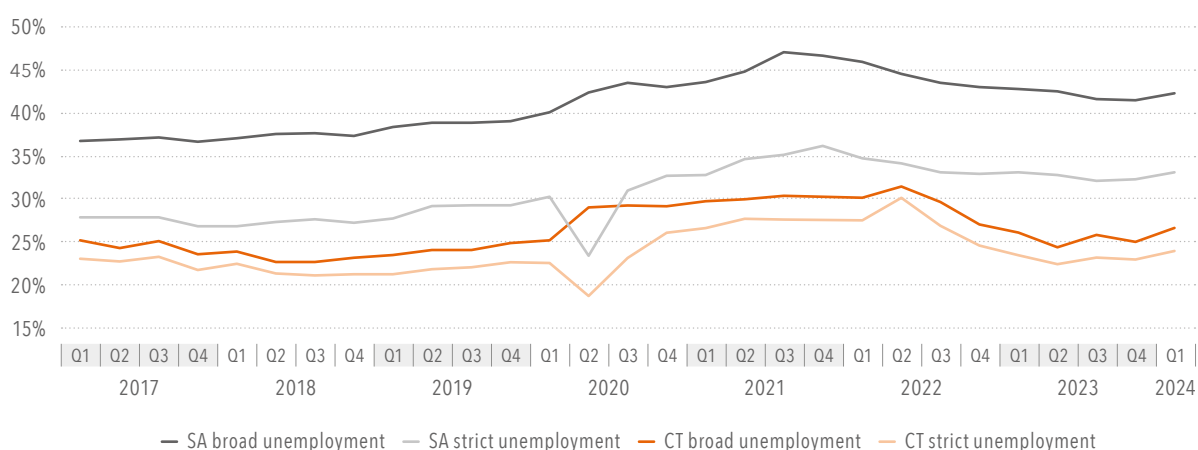
△ Increase
▽ Decrease

Improvement
Deterioration



Labour force participation rate (strict) = 71,3% Labour absorption rate = 54,3%

STRICT VERSUS BROAD UNEMPLOYMENT^m RATES FOR SOUTH AFRICA AND CAPE TOWN, 2017 Q1 TO 2024 Q1ⁿ



^{l, n.} Statistics South Africa, Quarterly Labour Force Survey, 2024 Quarter 1, May 2024.

^{m.} The 'strict' definition of unemployment includes only people who are actively seeking work. The 'broad' definition of unemployment includes those under the 'strict' definition as well as 'discouraged' and other 'non-searching' job seekers.



02 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

After rebounding in the last quarter of 2023 (0,3%), the South African economy had a weaker start to 2024, recording a contraction of 0,1% quarter-on-quarter growth (non-annualised, as per the change in Stats SA's reporting conventions)¹ for the first quarter of 2024. While the Bureau for Economic Research (BER) cautioned that a contraction may be possible, it nevertheless anticipated slight growth for the first quarter, along with the consensus forecast (BER, 2024a).

At the national level, six sectors recorded contractions in the first quarter of 2024, with the total contraction outweighing the total growth. The largest contraction of 3,1% was seen in the construction sector, and this subtracted 0,1 of a percentage point from the total national growth rate. This was followed by the mining sector, which recorded a 2,3% quarter-on-quarter decline and subtracted 0,1 of a percentage point from the total national growth rate in the first quarter. Further contractions were recorded in the manufacturing (-1,4%), transport and communication (-0,5%), electricity and water (-0,4%) and general government (-0,1%) sectors. These four sectors subtracted a combined 0,25 of a percentage point from the total national growth rate in the period under review.

Over the same period, four sectors recorded quarter-on-quarter growth. The largest of these was in the agriculture sector which grew by 13,5%, adding the most to the total national growth rate with 0,3 of a percentage point. This was followed by the community and social services, finance, real estate and business services, and trade and hospitality sectors, which each recorded quarter-on-quarter growth of 0,1%.

There are a number of additional indicators that point to the current challenging economic climate and the economy's strained path of recovery. The RMB/BER Business Confidence Index dropped by a further index point to record 30 index points in the first quarter of 2024. This indicates that less than a third of the respondents are satisfied with the prevailing business conditions. RMB further notes that for seven consecutive quarters, less than 40% of respondents have been satisfied with the prevailing business conditions. This quarter's sentiment saw a 10-index point rise in confidence among new vehicle dealers, however this was outweighed by the declines in sentiment in the retail and manufacturing sectors (BER, 2024b).

Similarly, the FNB/BER Consumer Confidence Index remains significantly low. After declining to -17 index points in the previous quarter, the index improved slightly to -15 index points in the first quarter of 2024. While this reflects that consumers remain under pressure, FNB notes that it is, encouragingly, notably higher than a year ago when it recorded -23 index points. This is viewed as a positive signal moving into the future (BER, 2024c).

The Absa Purchasing Managers' Index (PMI) survey is an indicator of manufacturing activity as it centres on components such as business activity, new sales orders, supplier performance, prices and employment, as well as business sentiment. After ending the previous quarter higher, recording 50,9 index points in December 2023, the Absa PMI declined significantly to 43,6 index points in January 2024, signalling a weak start to the year for the local manufacturing sector. Positively, the index improved to 51,7 points in February, before slipping again in March to end the first quarter of 2024 on 49,2 points. Within the index, business activity levels and new sales orders remain subdued (BER, 2024d).

¹ Statistics South Africa (Stats SA) announced that "it will no longer use the annualised rate as the headline rate of change". This was first implemented in its GDP release for the second quarter of 2021 (Statistics South Africa, 2021).

A GLOBAL COMPARISON OF ECONOMIC PERFORMANCE

After a multitude of setbacks throughout 2022 (IMF, 2022), global recovery showed signs of moderating (IMF, 2023). In its latest [April] World Economic Outlook (WEO) the IMF (2024) noted that despite the uneven growth thus far, the global economy remains “remarkably resilient”. After an upwardly revised global growth forecast for 2023 of 3,1% (January 2024), the IMF has recorded global growth at 3,2% for 2023. Its forecast for 2024 has thus been upwardly revised (by 0,1 of a percentage point) and remains unchanged at 3,2% for 2025. According to the IMF, growth momentum remains low by historical standards, owing to an array of factors such as still-high borrowing costs, long-term effects of the Covid-19 pandemic and Russia-Ukraine war, and increasing geoeconomic fragmentation.

In line with its last forecast, the IMF has recorded growth of 1,6% for advanced economies for 2023. The forecast for this region for 2024 has been upwardly revised (by 0,2 of a percentage point) to 1,7%, with expected growth of 1,8% for 2025. Emerging and developing economies recorded growth of 4,3% for 2023, which is 0,2 percentage points higher than last forecast by the IMF (January 2024). Similarly, the growth forecast for the emerging and developing economies has been upwardly revised (by 0,1 of a percentage point) to 4,2% in 2024, and remains unchanged at 4,2% for 2025 as well. Following South Africa's annual economic growth rate of 0,6% in 2023, the IMF has downwardly revised its forecast by 0,1 of a percentage point for both 2024 and 2025, anticipating growth of 0,9% and 1,2%, respectively (IMF, 2024).



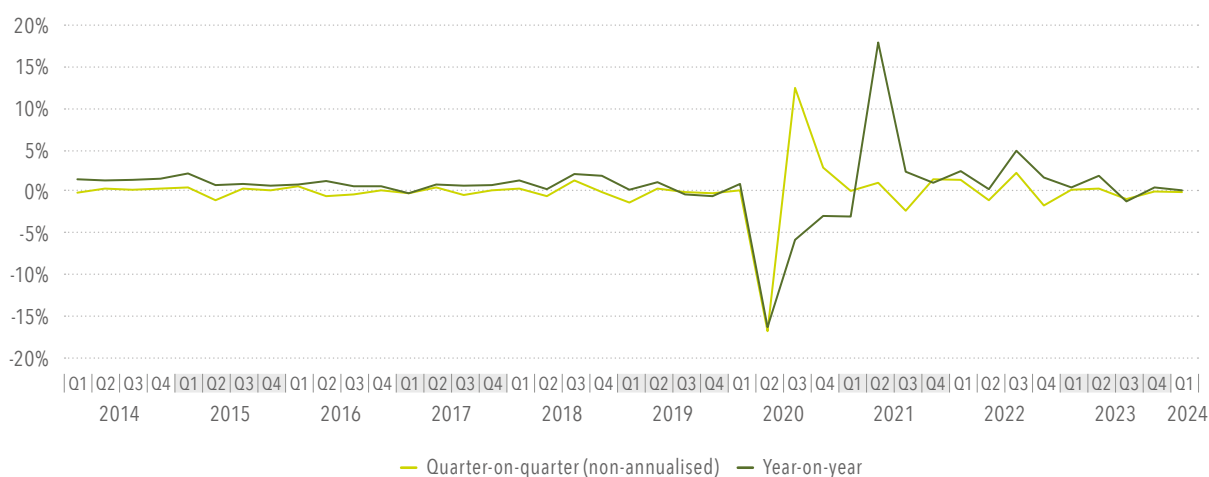


WESTERN CAPE AND CAPE TOWN ECONOMIC PERFORMANCE

The Western Cape economy accounts for 14% of South Africa's total gross domestic product (GDP). Unlike the national economy's performance (-0,1%), the province's economy recorded its second consecutive [non-annualised] quarter-on-quarter growth for the first quarter of 2024 at 0,2%. This quarter's performance is, however, 0,1 of a percentage point lower than the previous quarter's growth.

The year-on-year data² for the Western Cape indicate a similar performance to that of the country as a whole. Following a rebound in the previous quarter, at both national and provincial levels, the year-on-year performances remained positive in the first quarter of 2024, with South Africa experiencing year-on-year growth of 0,6%, and the Western Cape economy recording 0,5% growth. However, these figures are slightly lower than their respective recordings in the previous quarter.

FIGURE 1: REAL GDP GROWTH FOR THE WESTERN CAPE, 2014 Q1 TO 2024 Q1



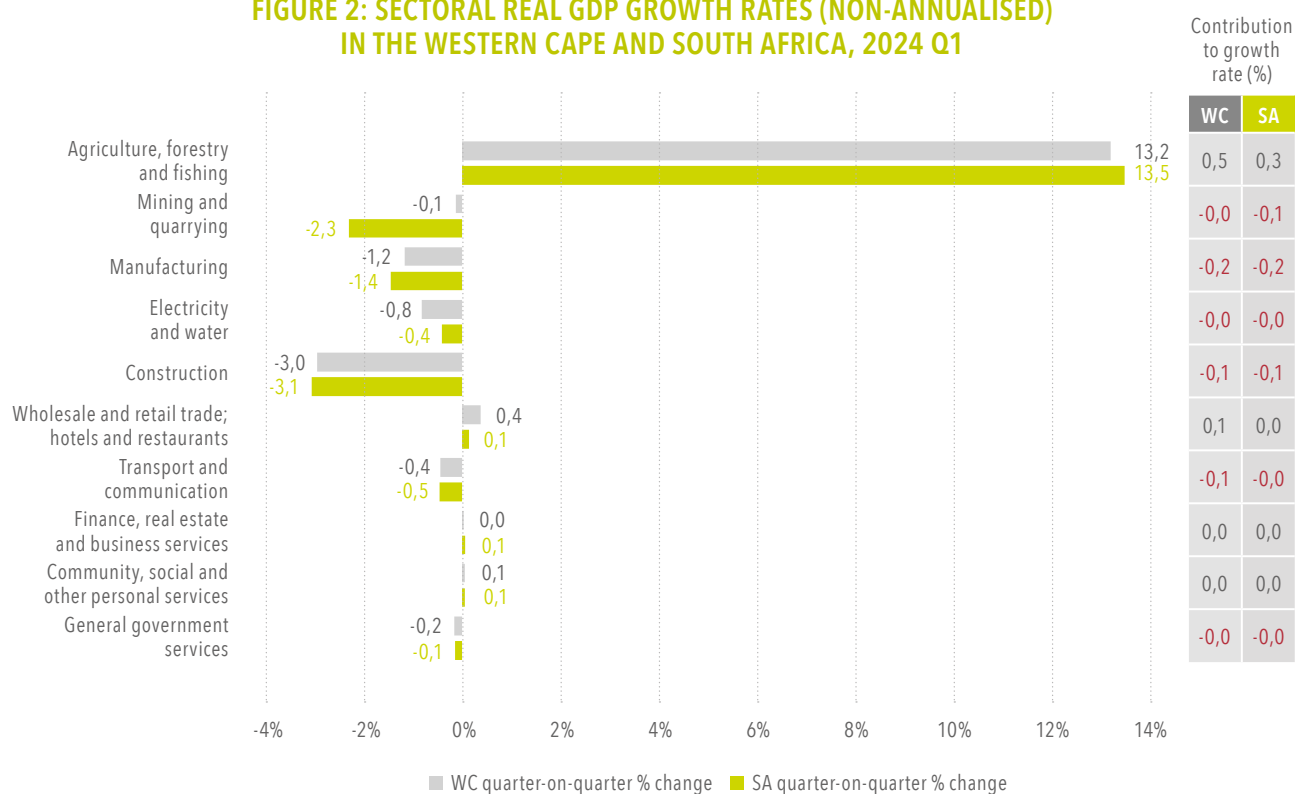
Source: Quantec, 2024.

At the sectoral level, the Western Cape's GDP performance largely mirrored that of the national economy, with similar sectoral trends. In the first quarter of 2024, six sectors recorded contractions. The largest sectoral contraction was in the construction sector, which declined by 3,0% quarter-on-quarter and subtracted 0,1 of a percentage point from the total provincial growth rate. This was followed by the manufacturing sector which contracted by 1,2% quarter-on-quarter and subtracted the most from the total provincial growth rate (0,2 of a percentage point). Further contractions were recorded in the electricity and water (-0,8%), transport and communication (-0,4%), general government (-0,2%) and mining (-0,1%) sectors. The latter four sectors subtracted a combined 0,1 of a percentage point from the total provincial growth rate in the first quarter of 2024.

As at the national level, four sectors in the Western Cape recorded growth in the first quarter of 2024. The agriculture sector showed the largest sectoral growth of 13,2% quarter-on-quarter, as well as adding the most to the total provincial growth rate (0,5 of a percentage point). Growth was also recorded in the trade and hospitality (0,4%), community and social services (0,1%) and finance, real estate and business services (0,04%) sectors, adding a combined 0,1 of a percentage point to the total provincial growth rate.

2 Year-on-year GDP growth is annualised.

**FIGURE 2: SECTORAL REAL GDP GROWTH RATES (NON-ANNUALISED)
IN THE WESTERN CAPE AND SOUTH AFRICA, 2024 Q1**

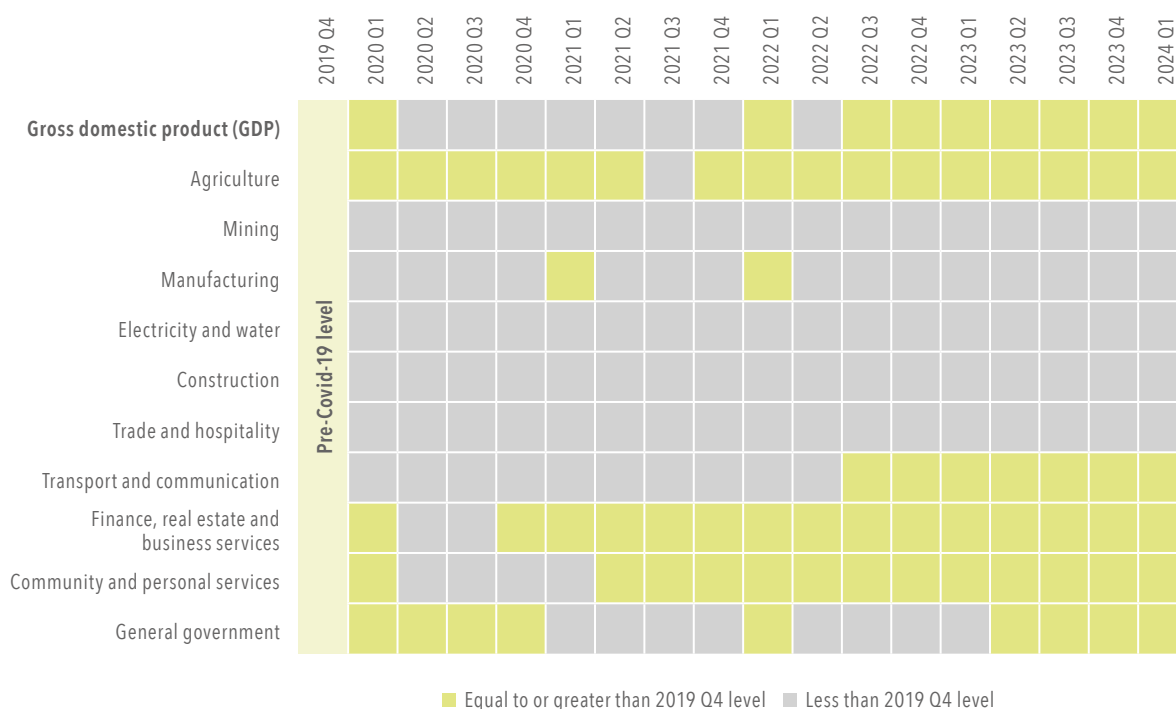


Source: Quantec, 2024.

While the Western Cape’s total GDP has remained above pre-Covid-19 levels since the third quarter of 2022, it is useful to compare economic activity at the sectoral level to pre-Covid-19 levels to accurately assess economic recovery. Table 1 illustrates that, by the first quarter of 2024, economic activity in five sectors remained higher than their respective levels in the fourth quarter of 2019. These include the finance, real estate and business services, transport and communication, agriculture, community and personal services, and general government sectors.

The construction, trade and hospitality, electricity and water, and mining sectors have all been unable to surpass their respective pre-Covid-19 output levels. The manufacturing sector has also remained lower than its respective pre-Covid-19 output level for the eighth consecutive quarter.

**TABLE 1: WESTERN CAPE'S SECTORAL ECONOMIC ACTIVITY
COMPARED TO PRE-COVID-19 LEVELS (I.E. 2019 Q4)**



Source: Own calculations based on Quantec data, 2024.

Note: Based on GDP in constant 2015 prices. 2019 Q4 is the base quarter to which all following quarters are compared. Due to revisions to the source data, this table may differ slightly from previous versions.

In contrast to its high contribution to the tertiary sector output of the Western Cape (77%), Cape Town's contribution to the province's total primary sector GGP is only 19% (South Africa Regional eXplorer, 2024). This means it is difficult to make inferences about the performance of the city's primary sector based on primary sector GGP performance in the Western Cape. However, even if Cape Town's primary sector (agriculture, in particular) did mirror provincial trends, it is unlikely that this would have had a large impact on the overall growth rate of the city, as the primary sector contributes only 1% to Cape Town's total GGP.

The performance of the city's economy in the first quarter of 2024 would have been driven by the performance of the finance, real estate and business services, community and personal services, and trade and hospitality sectors, which in 2023 comprised 39%, 17% and 13% of the city's economy, respectively. The positive performances of these sectors may have a greater impact on Cape Town's economy than their contribution to provincial growth. In the last 10 years, the variation of the city's GDP growth rate from the provincial growth rate³ has been 0,1 of a percentage point on average. If this were to hold true for the first quarter of 2024, a plausible range for Cape Town's non-annualised and seasonally adjusted quarter-on-quarter economic growth in the first quarter is between 0,1% and 0,3%.

3 Based on the median of the differences over the 10-year period.

03 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

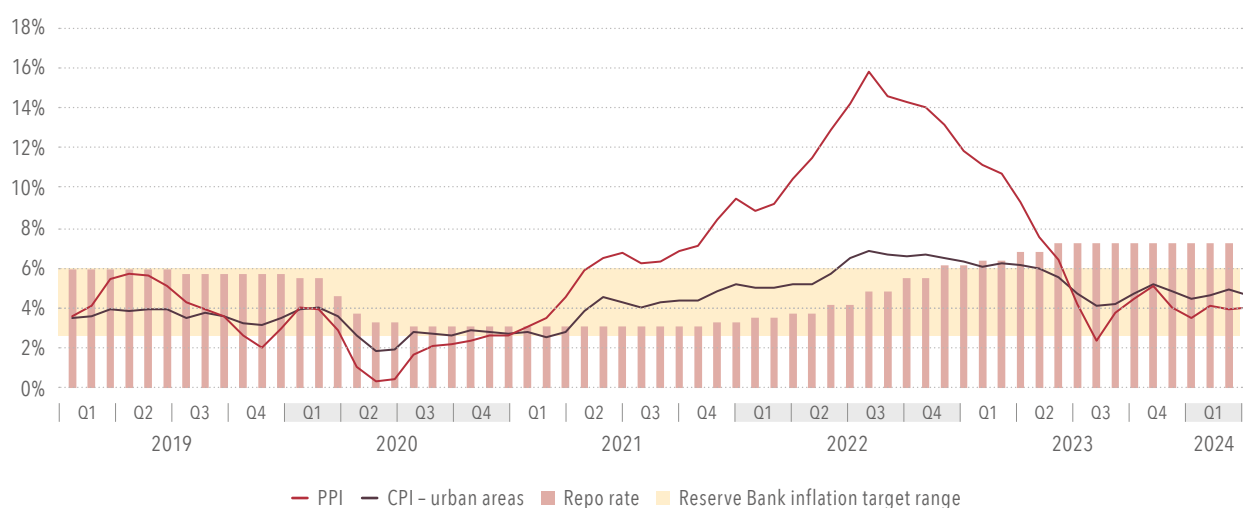
In the last month of the first quarter of 2024, the CPI⁴ increased slightly to 5,3% compared to 5,1% at the end of the previous quarter. As illustrated in figure 3, the CPI increased to 5,3% in January and further to 5,6% in February. This increase was followed by 0,3 of a percentage point decrease to 5,3% in March. Encouragingly, the CPI continued to remain within the target range for the first quarter of 2024. According to the Monetary Policy Committee (MPC) statement of March 2024 (South African Reserve Bank [SARB]), inflation has not yet met the 4,5% objective of the SARB. It indicated that the delay in achieving this goal has been due to the acceleration in services inflation, led by the medical aid component. According to the MPC statement, service inflation is the highest it has been since 2019, suggesting South Africa is joining the global trend of services becoming a key source of inflation, rather than goods.

For the first quarter of 2024, the PPI⁵ recorded a decrease to an average of 4,6%, after averaging 4,8% in the previous quarter. The index recorded monthly readings of 4,7% in January, decreasing to 4,5% in February and increasing marginally to 4,6% in March 2024. The main inflationary contributors to the PPI in March (in terms of final manufactured products) were the prices of: food products, beverages and tobacco products; metals, machinery, equipment and computing equipment; and coke, petroleum, chemical, rubber and plastic products.

When considering the PPI and CPI together, a notably higher PPI – as a price leader – is a signal for the CPI, as increased production costs often get passed on to consumers. The gap between these indicators has been decreasing since its peak in the third quarter of 2022, recording a marginal average difference of 0,8 of a percentage point for this quarter. This is slightly higher than its previous average recording of 0,7 of a percentage point in the fourth quarter of 2023.

Figure 3 illustrates changes in CPI, PPI and the repo rate. As indicated in the graph, the repo rate remained unchanged throughout the first quarter of 2024 at 8,25%. This is the 10th [consecutive] month that the repo rate has remained unchanged. According to the MPC statement of March 2024 (SARB), key reasons for the most recent decision to keep the repo rate unchanged were sluggish, weaker-than-expected economic growth for the fourth quarter of 2023, the uncertainty of food prices and the weakening of the exchange rate. However, the SARB remains positive that inflation will reach the 4,5% target, but this is now only expected by the end of 2025, later than previously anticipated.

FIGURE 3: CPI AND PPI TRENDS FOR SOUTH AFRICA, JANUARY 2019 TO MARCH 2024



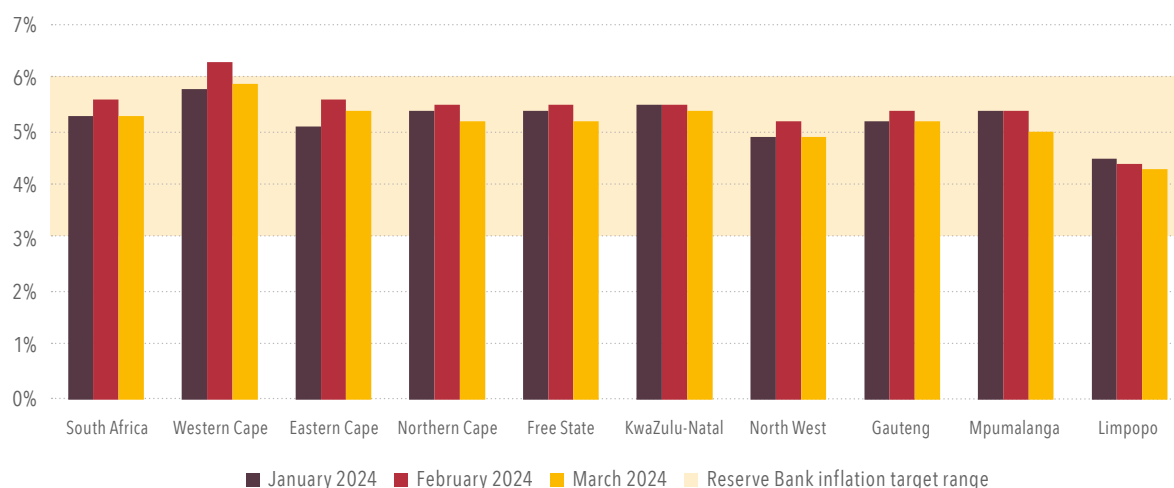
Source: CPI and PPI extracted from Statistics South Africa, 2024; repo rate extracted from SARB, 2024.

GEOGRAPHICAL INFLATION

The Western Cape recorded an inflation rate of 5,9% at the end of the first quarter (March) of 2024, which is higher than at the end of the previous quarter (5,6%). The province recorded a higher inflation rate than the country throughout this quarter and was the only province to breach the upper end of the inflation target range (6,3% in February). Figure 4 illustrates inflation rates for the first quarter of 2024 across all nine provinces. Compared to the

end of the fourth quarter of 2023, five of the provinces recorded decreases by the end of the first quarter of 2024, while three provinces recorded increases, and one remained unchanged. The Western Cape recorded the highest average inflation rate of 6% for the quarter under review. It was followed by KwaZulu-Natal (5,4%). Limpopo continued to record the lowest average inflation rate of 4,4% for the first quarter of 2024.

FIGURE 4: CPI INFLATION RATE AT A PROVINCIAL LEVEL, JANUARY TO MARCH 2024



Source: Statistics South Africa, May 2024.



4 Headline CPI is recorded and reported on for urban areas.

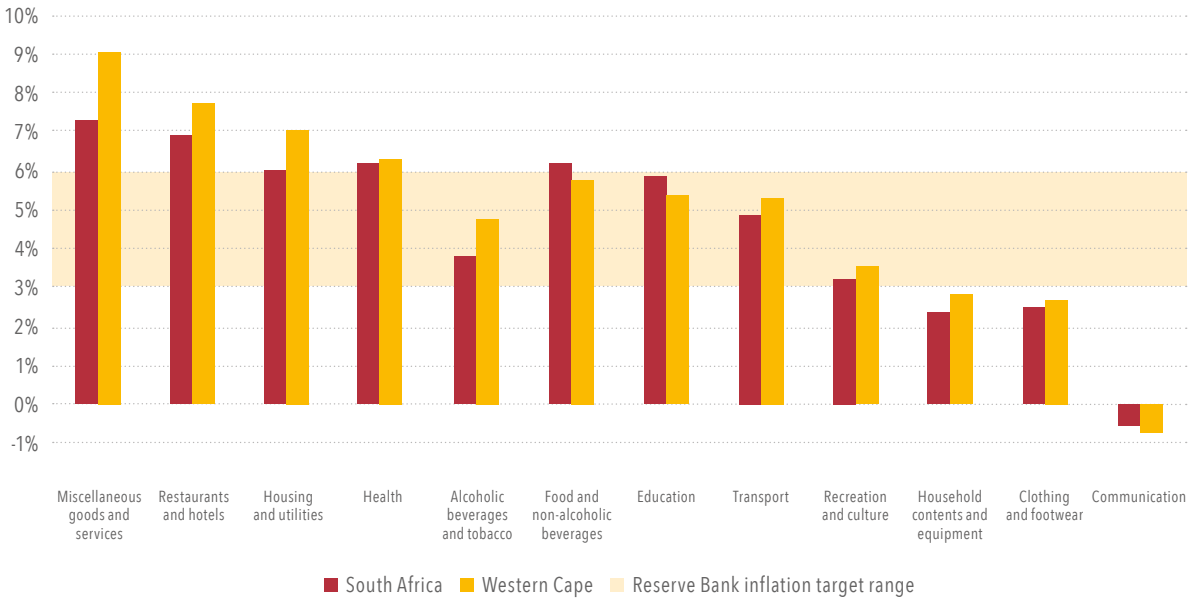
5 According to Statistics South Africa 2024a, the PPI from, and including, January 2024 has been reweighted. Noted, however, is that the reweighting will not affect the calculations of the basket.

As indicated in figure 5, one of the main upward drivers of inflation for both South Africa and the Western Cape for the first quarter of 2024 was miscellaneous goods and services, which recorded an average inflation rate of 7,1% for the country and 9,1% for the province. These were both higher than in the previous quarter. The subcategories adding upward pressure to [overall] miscellaneous goods and services price inflation – at both national and provincial levels – were personal care and insurance. For both the country and province, insurance price inflation increased significantly from 4,8% and 5,8%, respectively, in January 2024, to 9% and 10,8%, respectively, in February. Further increases to 9,4% and 11,1%, respectively, were seen in March 2024. The main driver of these increases was the significant price hikes in medical aid premiums. According to Statistics South Africa, all the medical aid schemes in their sample

had imposed price hikes by the time of the February survey and, therefore, all price changes have been accounted for (Momentum Investments, 2024).⁶

Price inflation for the categories of restaurants and hotels, as well as health, recorded an average inflation rate above 6% for both the country and the province, adding to the upward pressure on their respective overall inflation levels. In addition, the province recorded an inflation rate of 7% in housing and utilities, which was higher than the national level by more than 1,1 percentage points. The food and non-alcoholic beverages category was higher on a national level (6,2%) than on a provincial level (5,7%). For this quarter, the Western Cape recorded a higher average inflation rate than was seen nationally in nine of the 12 broad categories, explaining the slightly higher inflation rate for the province.

FIGURE 5: AVERAGE CONSUMER PRICE INFLATION FOR SOUTH AFRICA AND THE WESTERN CAPE, 2024 Q1



Source: Statistics South Africa, May 2024.

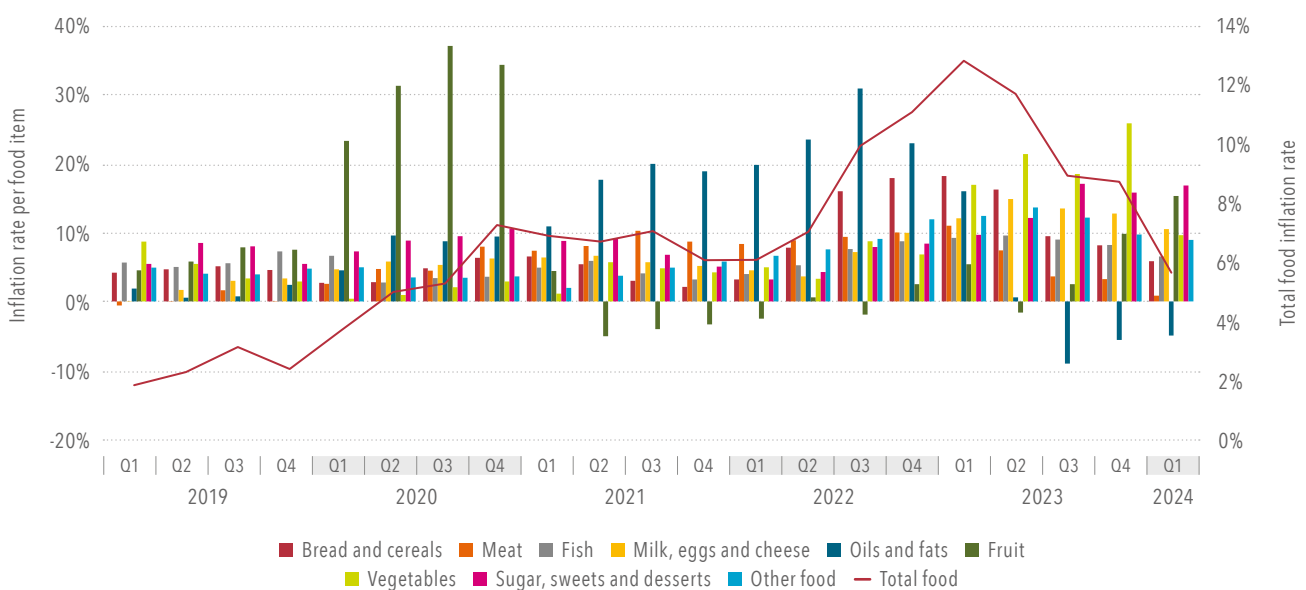
⁶ Typically, medical aid rates are surveyed bi-annually. Further analysis is detailed in the research titled 'Medical and fuel inflation drove inflation higher in February' (Momentum Investments, 2024).

WESTERN CAPE FOOD INFLATION

Tracking and monitoring food price changes have become increasingly important as household incomes continue to face pressure, threatening access to affordable food for many families. Food price inflation at a national level has now finally aligned with the global trend of declining food prices as seen since March 2022. Figure 6 tracks food price inflation in the Western Cape, which has been on an upward trend since the beginning of 2020. The Western Cape's average food price inflation hovered above 6% for 13 quarters and has now re-entered the inflation target range for the first time since the third quarter of 2020. In the first quarter of 2024, average food price inflation declined significantly to 5,6%, which is very positive when compared to the previous quarter's figure of 8,7%.

For the first quarter of 2024, six of the nine food items that are tracked recorded decreases when compared to the previous quarter. Vegetables saw the strongest decrease at 9,6%, which was well down from the 25,7% of the fourth quarter of 2023. This was followed by meat, which was down to 0,8% from the 3,2% recorded in the previous quarter. Sugar, sweets and desserts recorded the highest average inflation rates in the first quarter of 2024 (16,7%), while fruit price inflation (15,2%) recorded the highest increase of 5,5 percentage points in comparison to the previous quarter.

FIGURE 6: WESTERN CAPE FOOD PRICE INFLATION, 2019 Q1 TO 2024 Q1



Source: Statistics South Africa, May 2024.

According to the BFAP statement for March 2024, key factors influencing the fresh produce market in South Africa were demand and volumes. Firm demand coupled with lower volumes have elevated the price of bananas and pears, whereas softer demand and higher volumes have driven down the price of apples and oranges. Even though fruit price inflation remained higher compared to the previous quarter, it is expected that prices will ease as supply normalises and harvesting progresses.

Similar performance was noted for the vegetable market. The price of potatoes was lower due to higher volumes and low demand, while the price of tomatoes was higher due to greater demand and lower supply. The supply of tomatoes was heavily influenced by bad weather. It is expected that the price of vegetables will increase as a result of load-shedding and bad weather conditions during the growing season, suggesting that tighter stock levels will impact the market (BFAP, 2024).

04

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.



CAPE TOWN'S LABOUR MARKET PERFORMANCE

In the first quarter of 2024, Cape Town's working-age population (3,2 million individuals) increased on both a quarter-on-quarter and year-on-year level, as shown in table 2. The [strict] labour force, on the other hand, decreased when compared to the previous quarter and increased on a year-on-year level to 2,29 million individuals. Similarly, Cape Town's employment decreased on a quarter-on-quarter basis (down by 46 077 individuals), however it remains higher on a year-on-year (up by 37 126 individuals) level at a total of 1,74 million individuals. These movements have led to decreases in both the labour absorption (to 54,3% from 55,9%) and labour force participation (to 71,3% from 72,6%) rates when compared to the previous quarter. Both rates recorded higher levels when compared to the first quarter of 2023.

Encouragingly, the number of discouraged work seekers decreased on a quarter-on-quarter basis to a total of 33 707 individuals at the end of the first quarter. On a year-on-year level the number of discouraged work seekers is lower by 1 149 individuals.

The increase in searching unemployed and the decrease in employed individuals, coupled with the [net] increase in the non-searching categories, led to a higher broad unemployment rate of 26,5% from a previous 24,9% recorded in the fourth quarter of 2023. This rate is also higher by 0,5 of a percentage point when compared to the same quarter in 2023. At 26,5%, Cape Town's broad unemployment rate remained lower than any of the other metros in South Africa.

TABLE 2: CAPE TOWN LABOUR MARKET INDICATORS, 2024 Q1 VERSUS 2023 Q4 AND 2023 Q1

Metro	Recorded			Quarter-on-quarter change	Year-on-year change
	2024 Q1	2023 Q4	2023 Q1	(vs 2023 Q4)	(vs 2023 Q1)
Working-age population	3 207 664	3 195 560	3 158 455	12 104	49 209
Broad labour force	2 370 262	2 379 484	2 302 271	-9 222	67 991
Strict labour force	2 288 203	2 319 968	2 226 006	-31 765	62 197
Employed: Total ⁷	1 741 498	1 787 574	1 704 372	-46 077	37 126
Employed: Formal sector	1 379 946	1 394 462	1 410 677	-14 515	-30 731
Employed: Informal sector	239 978	263 916	194 288	-23 939	45 690
Unemployed (strict)	546 706	532 394	521 634	14 312	25 072
Not economically active	919 460	875 592	932 449	43 869	-12 989
Discouraged work seekers	33 707	37 988	34 856	-4 281	-1 149
Other not economically active	885 753	837 604	897 593	48 149	-11 840

Source: Statistics South Africa, Quarterly Labour Force Survey, 2024 Quarter 1, May 2024.

⁷ 'Total employment' comprises 'formal', 'informal', 'agriculture' and 'private households' employment.

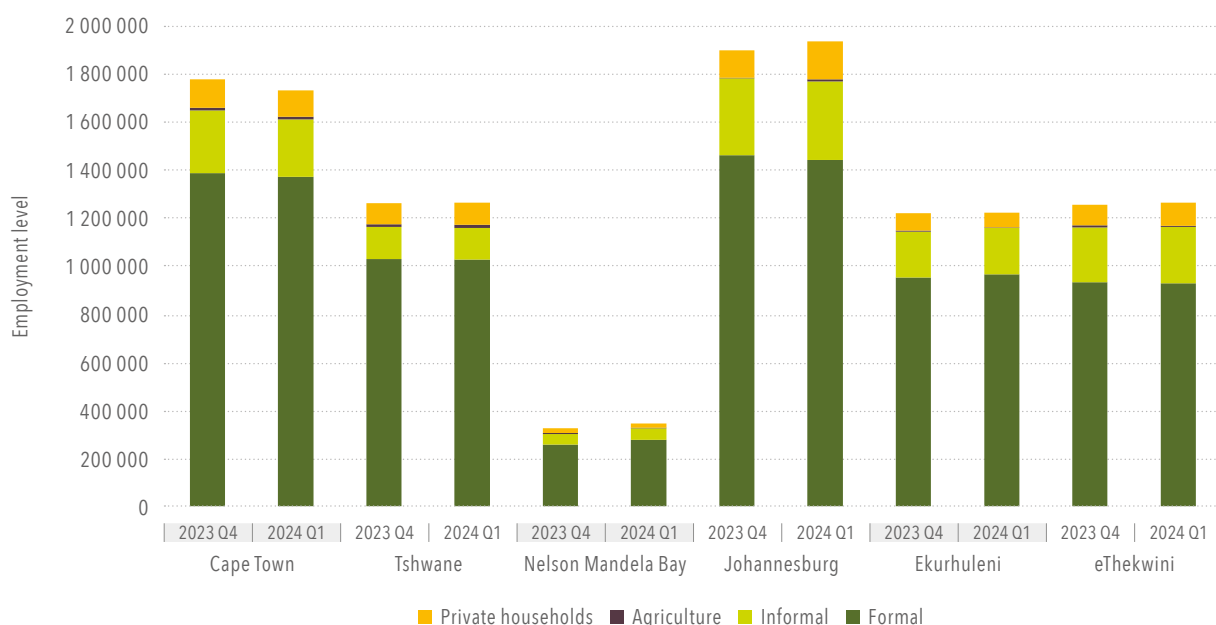
EMPLOYMENT COMPARISON OF METROS

When measuring Cape Town's job-creation performance, a comparison with other metros⁸ in the country is helpful. In the first quarter of 2024, Cape Town continued to have the second highest number of employed people, at 1,74 million individuals. This is second only to Johannesburg, where 1,94 million people were employed. This is to be expected, as Johannesburg has a larger population than Cape Town.

As seen in figure 7, when compared to the previous quarter, five of the metros recorded positive employment growth. Johannesburg added the most to employment (up by 37 410 individuals), followed by Nelson Mandela Bay (up by 20 456 individuals) and eThekweni (up by 9 436 individuals). Cape Town was the only metro to record a drop in employment, down by 46 077 individuals.

In Cape Town, formal employment decreased on a quarter-on-quarter (down by 14 515 individuals) and year-on-year (down by 30 731 individuals) basis to record 1,37 million individuals for the quarter. Informal employment decreased quarter-on-quarter (down by 23 939 individuals) and increased year-on-year (up by 45 690 individuals) to record a total of 239 978 individuals at the end of the first quarter. Private households also recorded a decrease on a quarter-on-quarter basis (down by 10 012), however showed a strong increase year-on-year (up by 25 135 individuals). The agriculture sector was the only sector to increase on a quarter-on-quarter level (up by 2 389 individuals), but decreased on a year-on-year level (down by 2 969 individuals) at the end of the first quarter.

FIGURE 7: EMPLOYMENT COMPARISON WITH OTHER METROS BY MAJOR SECTOR, 2024 Q1 VERSUS 2023 Q4



Source: Statistics South Africa, Quarterly Labour Force Survey, 2024 Quarter 1, May 2024.

⁸ This comparison does not include all South African metro cities.

UNEMPLOYMENT IN CAPE TOWN

The number of (searching) unemployed people in Cape Town increased quarter-on-quarter (up by 14 312 individuals) and year-on-year (up by 25 072 individuals), to record a total of 546 706 individuals at the end of the first quarter of 2024. The decrease recorded in employment and the increase recorded in unemployment resulted in a higher strict unemployment rate (23,9%) when compared to the fourth quarter of 2023 (22,9%). The strict unemployment rate is also higher by 0,5 of a percentage point when compared to the first quarter of 2023 (23,4%).

The youth unemployment rate in Cape Town, defined as the strict unemployment rate for individuals aged 15 to 24 years old, was estimated at 47,1% in the first quarter of 2024, increasing from 44,5% in the previous quarter. The figure also represents

a slight decrease from the 48,1% recorded in the first quarter of 2023. While this remains notably below the national youth unemployment rate of 59,7% recorded in the first quarter of 2024, it is nonetheless notably high by average developing country standards and continues to pose a key challenge for economic policymakers in the city.

While comparisons of Cape Town's unemployment trends with those of the country as a whole are important, it is perhaps more relevant to compare these Cape Town trends to other metros that have similar labour market dynamics (table 3). On a quarter-on-quarter basis, Cape Town had the lowest broad unemployment rate of 26,5% (up from 24,9% in 2023 Q4), while eThekweni had the lowest strict unemployment rate of 22% (down from 22,1% in 2023 Q4) when compared to all the other metros.

TABLE 3: UNEMPLOYMENT RATE⁹ COMPARISON OF METROS, 2024 Q1 VERSUS 2023 Q4 AND 2023 Q1

Metro	Official (strict)			Expanded (broad)		
	2024 Q1	2023 Q4	2023 Q1	2024 Q1	2023 Q4	2023 Q1
Cape Town	23,9%	22,9%	23,4%	26,5%	24,9%	26,0%
eThekweni	22,0%	22,1%	19,4%	37,2%	35,6%	35,6%
Ekurhuleni	32,8%	30,7%	33,4%	40,6%	39,2%	41,9%
Johannesburg	32,5%	33,1%	32,7%	35,7%	36,6%	36,4%
Nelson Mandela Bay	32,4%	33,9%	33,9%	33,0%	35,8%	36,6%
Tshwane	35,1%	35,0%	35,0%	38,0%	37,6%	38,6%

Source: Statistics South Africa, Quarterly Labour Force Survey, 2024 Quarter 1, May 2024.

When compared to the previous quarter, three of the metros experienced a decrease in their strict unemployment and three metros recorded an increase. In terms of broad unemployment rates, two metros experienced a decrease in their broad unemployment rate and four metros recorded an increase when compared to the fourth quarter of 2023. Nelson Mandela Bay recorded the largest decrease in its strict unemployment (down by 1,5 percentage points) and broad unemployment (down by 2,8 percentage points) rates. Ekurhuleni recorded the highest increase in its strict unemployment rate (up by 2,1 percentage

points) and Cape Town recorded the highest increase in its broad unemployment rate (up by 1,6 percentage points) compared to the previous quarter.

Among the metros, Cape Town recorded the second lowest difference between its two rates of unemployment (2,6 percentage points), while eThekweni recorded the largest difference of 15,2 percentage points. The extent of the difference between the two rates of unemployment can be attributed to the number of discouraged work seekers in each of the metros.

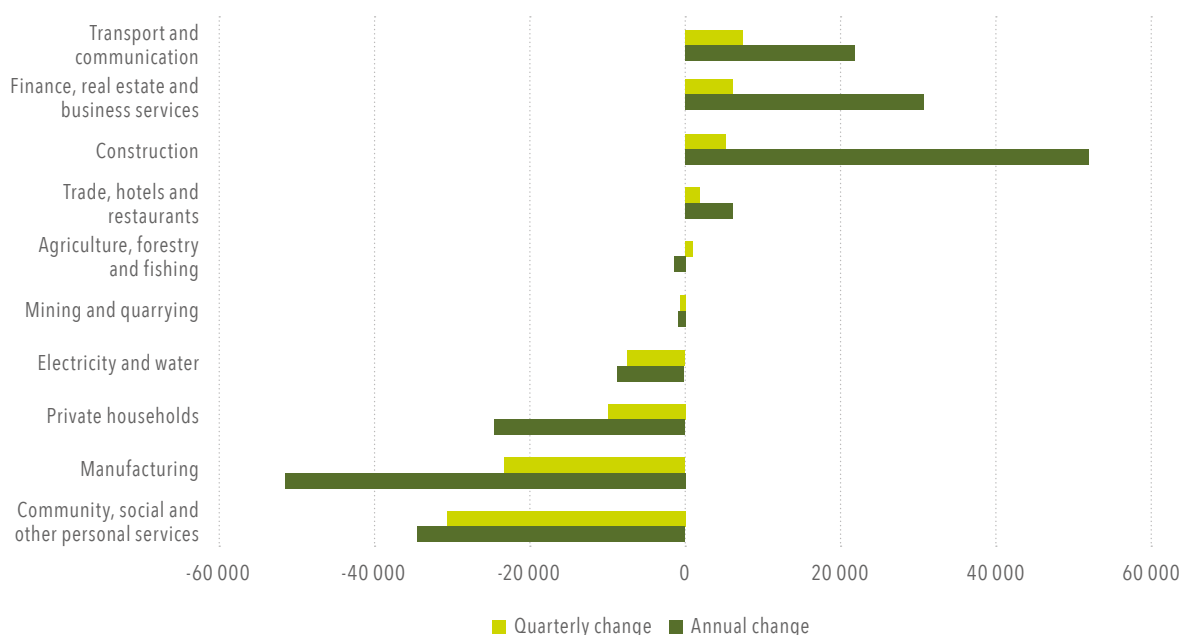
⁹ The 'strict' definition of unemployment includes only people who are actively seeking work. The 'broad' definition of unemployment includes those under the 'strict' definition as well as 'discouraged' and other 'non-searching' job seekers.

SECTOR EMPLOYMENT TRENDS FOR CAPE TOWN

Figure 8 depicts the change in the level of employment by sector in Cape Town in the first quarter of 2024 compared to the first and fourth quarters of 2023. On a quarter-on-quarter basis, five sectors recorded employment losses, while five sectors had employment gains. The transport and communication sector added the most to employment (up by 8 640 jobs), followed by finance, real estate and business services (up by 7 987 jobs) and the construction (up by 5 795 jobs) sectors. Further contributions to employment growth were also made by the trade, hotels and restaurants (up by 2 413 jobs) and the agriculture (up by 2 389 jobs) sectors. The community, social and other personal services sector shed the most jobs (down by 30 942 jobs) in the first quarter, followed by the manufacturing (down by 24 738 jobs) and the private households (down by 10 012 jobs) sectors. Employment losses were also recorded in the electricity and water (down by 7 435 jobs) as well as the mining and quarrying (down by 123 jobs) sectors.

Five sectors recorded employment losses when compared to the first quarter of 2023 and five sectors recorded strong employment gains. In line with their quarterly performance, similar sectors were the top three employment contributors. The construction sector added the most to employment (up by 53 388 jobs). This was followed by the finance, real estate and business services (up by 30 865 jobs), private households (up by 25 135 jobs) and transport and communication (up by 23 194 jobs) sectors. Further contribution to employment gains were made by the trade, hotels and restaurants sector (up by 6 101 jobs). As with their quarterly performance, manufacturing (down by 50 979 jobs) and community, social and other personal services sectors (down by 35 571 jobs) shed the most jobs compared to the same period in 2023. Following a similar trend as its quarterly performance, electricity and utilities (down by 8 636 jobs) as well as mining and quarrying (down by 265 jobs) recorded employment losses. The agriculture sector (down by 2 969 jobs) also displayed negative employment growth when compared to the first quarter of 2023.

FIGURE 8: QUARTERLY AND ANNUAL CHANGE IN EMPLOYMENT PER SECTOR FOR CAPE TOWN, 2024 Q1



Source: Statistics South Africa, Quarterly Labour Force Survey, 2024 Quarter 1, May 2024.

05

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, as well as (historically) its second-busiest container port. This section reviews infrastructure developments in relation to Cape Town's port and airport.

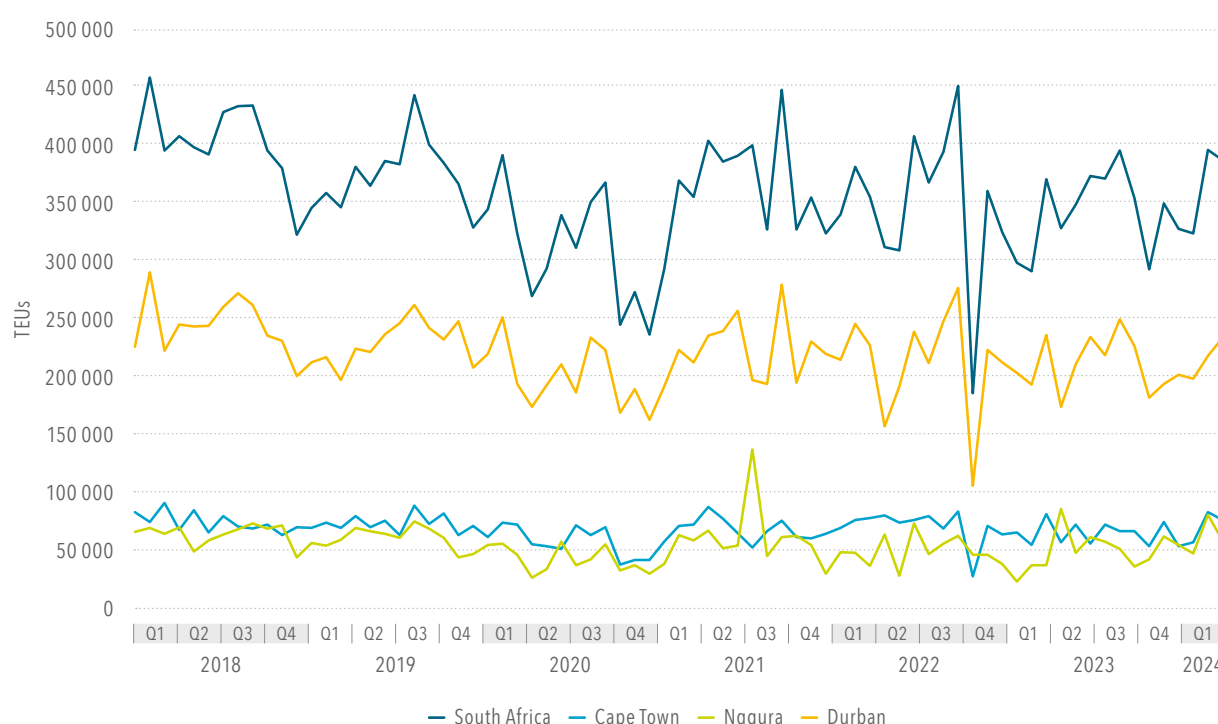


CONTAINER TRAFFIC

Container traffic demonstrates erratic short-term movement, as shown in figure 9. As such, it is best to compare the quarterly number of containers handled, as measured in twenty-foot equivalent units (TEUs),¹⁰ over the period of a year. The Port of Durban¹¹ remained the largest container handling port in South Africa, handling a total of 655 903 TEUs in the first quarter of

2024. The Port of Durban accounted for 58,8% of all containers handled in the country, followed by the Port of Cape Town (19,5%) and the Port of Ngqura¹² (16,8%). The remainder of TEUs handled in the country are shipped through the ports of Gqeberha, East London, and Richards Bay.

FIGURE 9: TOTAL CONTAINERS HANDLED MONTHLY (NATIONALLY), 2018 Q1 TO 2024 Q1



Source: Transnet National Ports Authority, June 2024.

As shown in table 4, the total number of containers handled at South African ports increased on a year-on-year basis. Containers handled nationally increased by 15,2%, from 968 343 TEUs in the first quarter of 2023 to 1 115 563 TEUs in the first quarter of 2024. The Port of Durban recorded a year-on-year increase of 2,9%, while the Port of Ngqura recorded the largest increase of

90% when compared to the first quarter of 2023. The latter was, however, from a comparatively smaller base. The Port of Cape Town experienced a year-on-year increase of 7,2%, from 203 196 TEUs handled in the first quarter of 2023 to 217 907 TEUs in the first quarter of 2024.

¹⁰ 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 TEUs.

¹¹ The Port of Durban is located in the eThekweni metro.

¹² The Port of Ngqura is located in the Nelson Mandela Bay metro.

**TABLE 4: COMPARISON OF TOTAL¹³ CONTAINERS HANDLED (IN TEUs),
2024 Q1 VERSUS 2023 Q4 AND 2023 Q1**

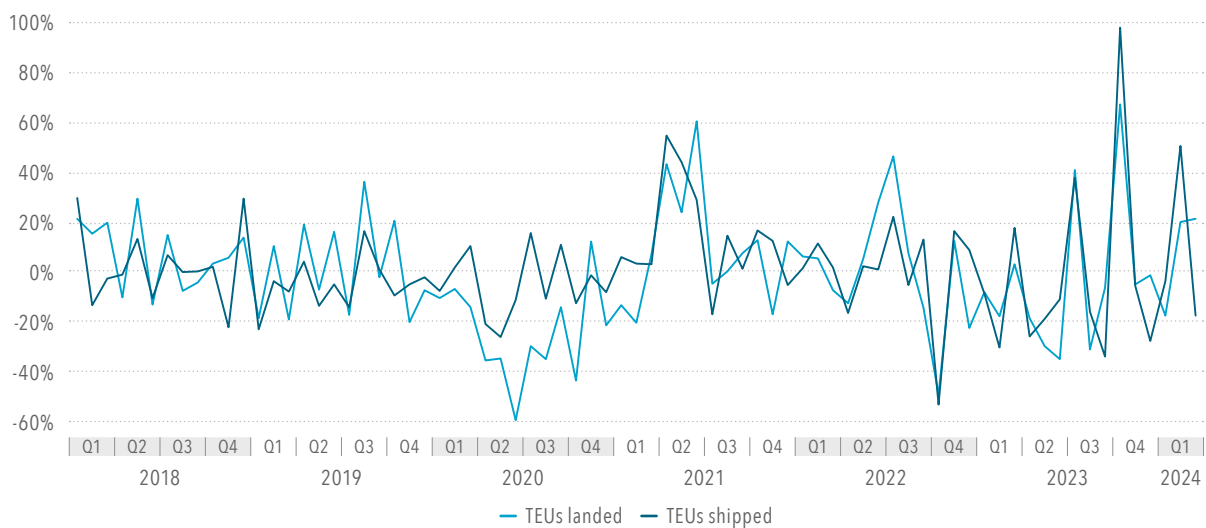
	2024 Q1	2023 Q4	2023 Q1	Year-on-year change
South Africa	1 115 563	978 673	968 343	15,2%
Cape Town	217 907	182 865	203 196	7,2%
Durban	655 903	582 438	637 513	2,9%
Ngqura	187 607	160 856	98 737	90,0%

Source: Transnet National Ports Authority, June 2024.

The Port of Cape Town recorded a year-on-year increase of 8,5% in full TEUs landed, from 53 189 TEUs in the first quarter of 2023 to 57 713 TEUs in the first quarter of 2024. The number of TEUs shipped increased by 4,9%, from 84 906 TEUs in the first quarter of 2023 to 89 077 TEUs in the first quarter of 2024. When

compared to the year-on-year figures recorded in the previous quarter, the year-on-year performances for full-landed TEUs declined, while the number of full-shipped TEUs showed slight improvement.

**FIGURE 10: ANNUAL CHANGE IN FULL TEUs HANDLED (MONTHLY)
AT THE PORT OF CAPE TOWN, 2018 Q1 TO 2024 Q1**



Source: Transnet National Ports Authority, June 2024.

Congestion and processing delays remain a challenge at South African ports. In the first quarter, Ship Working Hours – a primary productivity metric – remained low, which is both a

concern and risk, especially for the agricultural export market (Bizcommunity, 2024).

¹³ Total containers handled includes both full and empty TEUs logged.

CAPE TOWN TRADE

In the first quarter of 2024, exports increased slightly on a quarter-on-quarter basis, while imports decreased, as illustrated in figure 11 which shows the quarterly trade balance for Cape Town. Exports increased by 1,5% to R32,8 billion and imports decreased by 13,7% to R68,9 billion. As a result, Cape Town's trade deficit improved to R36 billion, compared to R47,4 billion recorded in the previous quarter. Nationally in the first quarter of 2024, a trade surplus of R11,9 billion was realised with South Africa's top exports being platinum, coal and iron (Quantec, 2024).

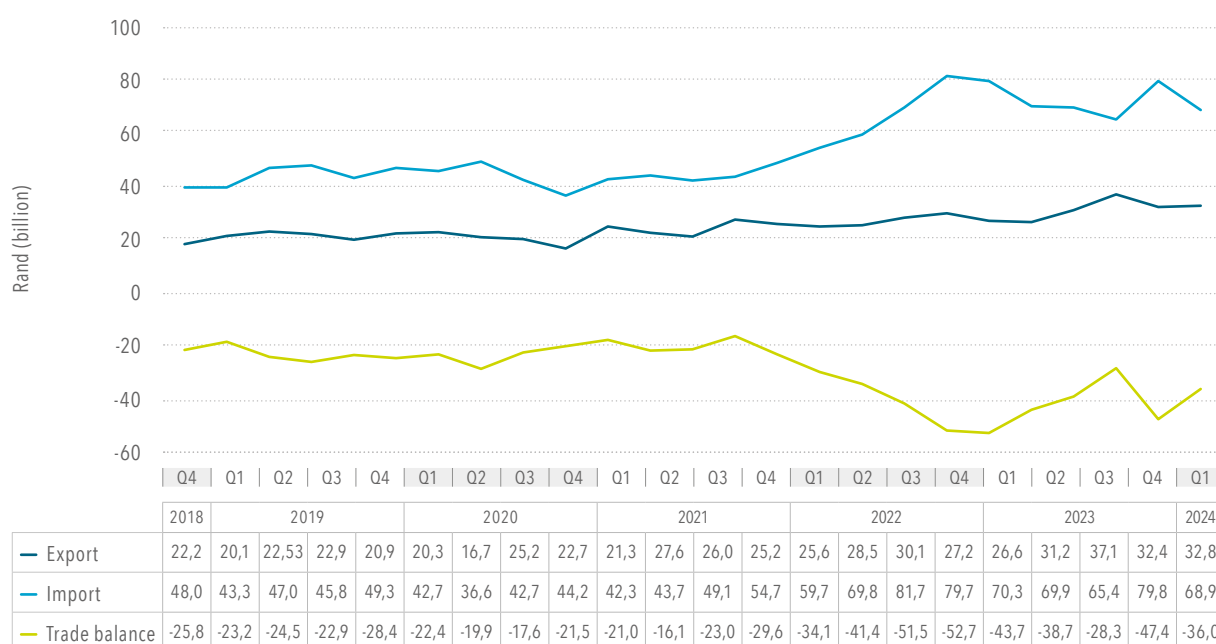
Focusing on Cape Town's top 10 export products (by rand value), the largest quarterly growth was seen for grapes and raisins (400%), followed by apples, pears and quinces (90%). The largest year-on-year growth in Cape Town's exports was recorded for antiques (212%) and chromium (178%), which is not locally mined. The logistical rerouting of chromium, coal and other mineral substance exports due to infrastructure failures continues

to drive the increase of non-local commodity exports from the Port of Cape Town. Refined petroleum remained the highest-value export from Cape Town in the first quarter of 2024, worth R5,7 billion, followed by grapes and raisins (R4,5 billion) and chromium (R1,3 billion).

Cape Town's most imported products in the first quarter of 2024 were refined petroleum and crude petroleum, worth R19,8 billion and R14,6 billion respectively. Refined petroleum was imported primarily from Oman and the United Arab Emirates. Some of this refined petroleum was re-exported from Cape Town to other African countries.

The value of total exports increased by 23,3% compared to the first quarter of 2023, while imports decreased by 2,1%. Large year-on-year increases in imports were recorded for petroleum gas as well as crude petroleum.

FIGURE 11: CAPE TOWN'S TRADE BALANCE, 2018 Q4 TO 2024 Q1



Source: Quantec, 2024.

Cape Town's top 10 exports in the first quarter of 2024, shown in table 5, accounted for 50,4% of total exports. The rise in annual export value was led by an increase in the export of non-local commodities as well as exchange rate weakness. Although the prices of petroleum and coal remained elevated in the first quarter, these prices are on

a downward trend. Coal exports experienced the largest year-on-year decline in value, of 50%. Export items that typically recorded in the top 10 in the past, but have now been overtaken by non-local commodities, include wine and beauty products. On a quarterly basis the top 10 exports have largely remained consistent.

TABLE 5: CAPE TOWN'S TOP 10 EXPORTS, 2024 Q1

Cape Town's top export categories for 2024 Q1 (HS 4) ¹⁴	ZAR million	% of total exports	Year-on-year change (vs 2023 Q1)
Refined petroleum oils	R5 680	17,3%	79,4%
Grapes and raisins	R4 484	13,7%	40,8%
Chromium	R1 345	4,1%	177,7%
Apples, pears and quinces (fresh)	R1 222	3,7%	39,6%
Coal	R841	2,6%	-50,0%
Jewellery with precious metal	R700	2,1%	9,4%
Antiques	R675	2,1%	212,2%
Engine parts	R571	1,7%	-8,1%
Fish fillets	R530	1,6%	19,6%
Manganese	R503	1,5%	-5,4%
Total of top 10 export categories	R16 550	50,4%	
Total of ALL products	R32 842	100%	23,3%

Source: Quantec, own calculations, June 2024.

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

¹⁴ The Harmonized System is a six-digit code system used internationally for the classification of products. It allows for the trading of goods on a common basis for customs purposes.

AIRPORT STATISTICS

Cape Town International Airport is South Africa's second-busiest airport, after OR Tambo International Airport in Johannesburg. It recorded 2,74 million passenger movements (arrivals and departures) in the first quarter of 2024, compared to 4,38 million passenger movements at OR Tambo International and 1,23 million at King Shaka International during the same period.

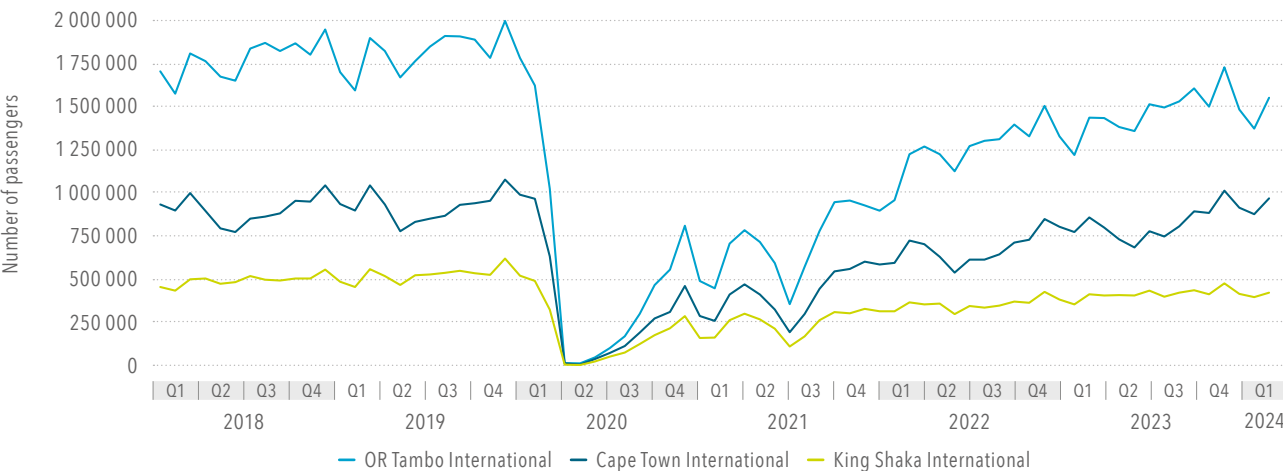
To account for seasonal trends, passenger statistics are best analysed on a year-on-year basis. For the first quarter of 2024, all three international airports recorded positive year-on-year performances. Total passenger movements at Cape Town International in the first quarter of 2024 increased by 13,4% year-on-year, representing a total of 323 517 more passenger movements than observed in the first quarter of 2023. Total passenger movements at OR Tambo International increased by 10,7% (+424 039) year-on-year in the first quarter of 2024, while King Shaka International saw an increase of 7,6% (+86 079). The continued positive year-on-year performances point to improvements in travel and its associated industries, such as tourism and meetings, incentives, conferences and exhibitions in Cape Town. According to its annual report (CTICC, 2024), the Cape Town International Convention Centre (CTICC) recorded improved numbers in 2023 and already has a total of 376 events confirmed

up to 2030, of which nearly a quarter are international events that will impact positively on air passenger movements.

Due to the significant disruption to air travel in 2020 as a result of the Covid-19 pandemic, and the subsequent slow recovery of travel and associated industries, the year-on-year performances may not be an accurate view of the sector's recovery. For the first time since resuming travel,¹⁵ total air passenger movements at these three airports recorded positive growth when compared to the first quarter of 2020, being higher by 0,6%. This is primarily due to a positive performance of Cape Town International Airport, which saw 6,7% more air passenger movements than the same period in 2020. OR Tambo and King Shaka air passenger movements remain 0,5% and 7,6% lower than their pre-pandemic levels, as illustrated in figure 12.

For passenger arrivals, Cape Town International was the only one of the three airports to record positive quarter-on-quarter results in the first quarter of 2024. All, however, recorded positive year-on-year improvements, with a combined 27% increase. Total passenger arrivals were made up of 31% international arrivals and 66% domestic arrivals.

FIGURE 12: TOTAL (MONTHLY) PASSENGER MOVEMENTS AT SOUTH AFRICA'S MAJOR AIRPORTS, 2018 Q1 TO 2024 Q1



Source: Airports Company South Africa, June 2024.

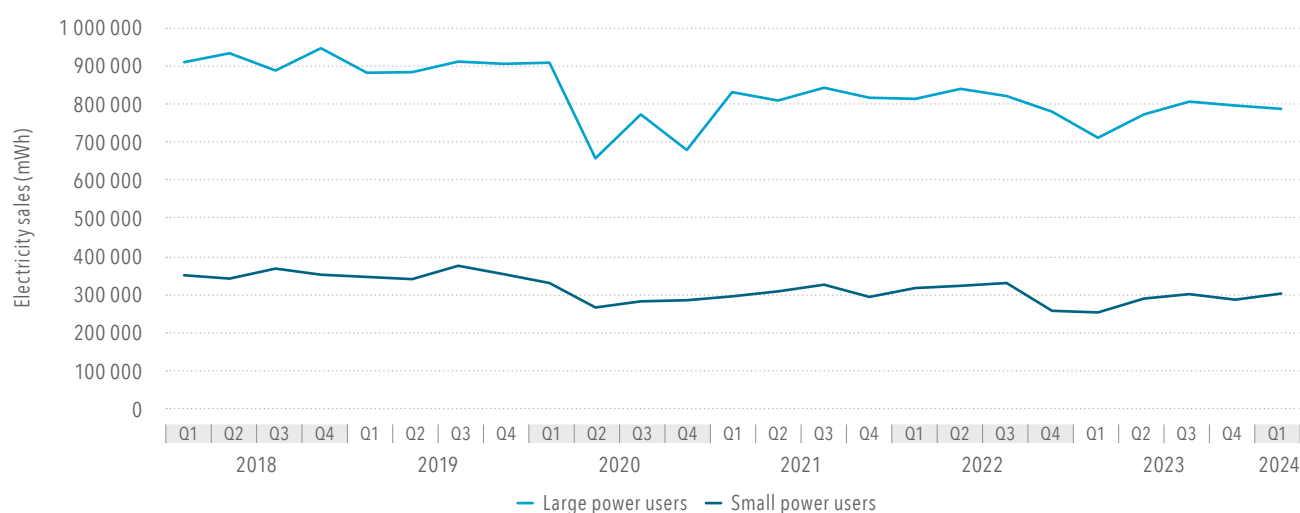
¹⁵ While South Africa's lockdown commenced on 15 March 2020, many other countries already had restrictions in place during the first quarter of 2020.

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.

FIGURE 13: CAPE TOWN'S COMMERCIAL ELECTRICITY USAGE, 2018 Q1 TO 2024 Q1



Source: Electricity Generation and Distribution, CCT, May 2024.

Following a decrease in the previous quarter, electricity sales to LPUs declined further in the first quarter of 2024, dropping by 1,0% on a quarter-on-quarter basis. On the other hand, the City's electricity sales to SPUs increased by 3,6% quarter-on-quarter. In the fourth quarter of 2023, Eskom ramped up load-shedding due to increasing demand, insufficient generating capacity and the need to replenish emergency reserves (BusinessTech, 2023). However, there was a reduction in load-shedding in the first quarter of 2024 as a result of declining demand for Eskom grid electricity. This was due to a combination of various factors,

including a weak South African economy, rising electricity tariffs and customers shifting to alternative sources of energy (Yelland, 2024). The lower demand for electricity contributed to the decline in sales to LPUs, which suggests a decrease in manufacturing activity in Cape Town in the first quarter of 2024.

In contrast, electricity sales to LPUs and SPUs in the first quarter of 2024 were higher than in the corresponding period in 2023. LPUs recorded an increase in electricity sales of 8,8% year-on-year, while electricity sales to SPUs grew by 12,5% year-on-year.

06 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. The combination of scenic appeal, excellent service standards and a well-developed hospitality sector underpins a historically robust tourism industry. This industry remains important for the local economy, not just because of its potential 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.



Cape Town is a well-known domestic and international tourist destination, and the city's tourism sector is a long-standing and highly valuable contributor to the local and national economy. However, tourism was one of the industries hardest hit by the Covid-19 pandemic.

Cape Town Tourism's (CTT) *Cape Town Accommodation Performance Review* and Forecast Report provides insight into the sector's performance. The reports covering the months of January, February and March 2024 had an average response rate¹⁶ of 29 tourism accommodation establishments, the majority of which are based in the Cape Town metropolitan area (CTT, 2024a; CTT, 2024b; CTT, 2024c).

During the first quarter of 2024, the surveyed establishments recorded an average occupancy rate of 72,8%. Despite coming in lower than the recorded forecast demand (77,9%) for the period, this figure remained in line with historic trends. The sustained healthy occupancy rate recorded in the first quarter is a positive signal for the tourism sector. The average room rate (R2 541) and revenue per room rate (R1 849) recorded slightly lower than their respective forecasted rates.

Demand for accommodation during the first quarter of 2024 continued to be driven mainly by the domestic market, which accounted for an average of 47% of room nights sold. Demand from travellers from within Africa constituted 18%, and international travellers 35%. Indicative of the holiday period, leisure was the dominant reason for travel in January across all three segments, after which business became the dominant reason in February for the domestic and regional segments.

Continued recovery is also evident in visitor statistics.¹⁷ During the first quarter of 2024, Cape Town's five major tourist attractions¹⁸ recorded a total of 1 187 714 visits. Visitor numbers were sustained above the one-million mark. This quarter also recorded improvements on both a quarter-on-quarter and year-on-year level, as well as surpassing pre-pandemic levels. Compared to the first quarter of 2020, total visits were 8% higher in the first quarter of 2024.

In the first quarter of 2024, the Table Mountain Aerial Cableway recorded the highest number of visits (346 277), showing a year-on-year improvement of 24%. This was followed by Table Mountain National Park: Cape of Good Hope, which recorded 299 392 visits, representing a year-on-year improvement of 19%. Boulders Beach recorded 256 098 visits, a year-on-year improvement of 28%, and Robben Island recorded 80 740 visits in the first quarter of 2024, improving by 13% year-on-year.

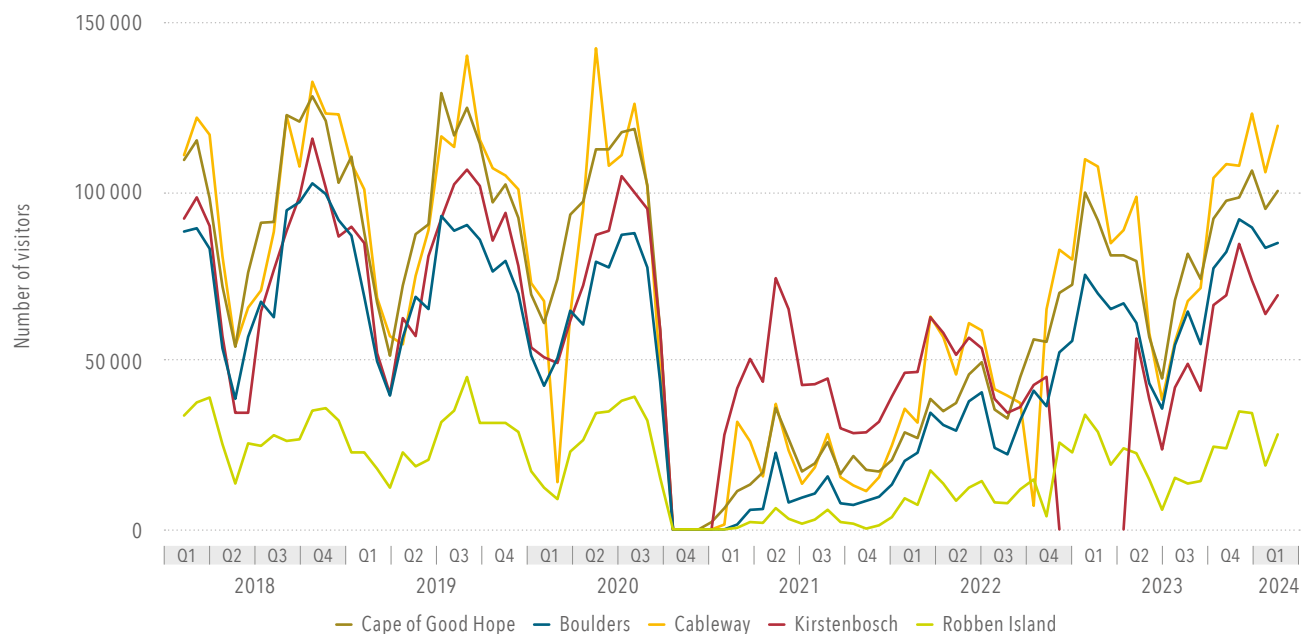


¹⁶ Prior to the pandemic the surveys recorded averages of around 100 responses per month.

¹⁷ To note, there is no visitor data recorded/available for Kirstenbosch National Botanical Garden during 2023 Q1.

¹⁸ Includes Cape of Good Hope, Boulders Beach, Table Mountain Aerial Cableway and Robben Island. Excludes the V&A Waterfront.

FIGURE 14: TOTAL (MONTHLY) VISITS TO THE TOP FIVE TOURIST DESTINATIONS OF CAPE TOWN, 2018 Q1 TO 2024 Q1

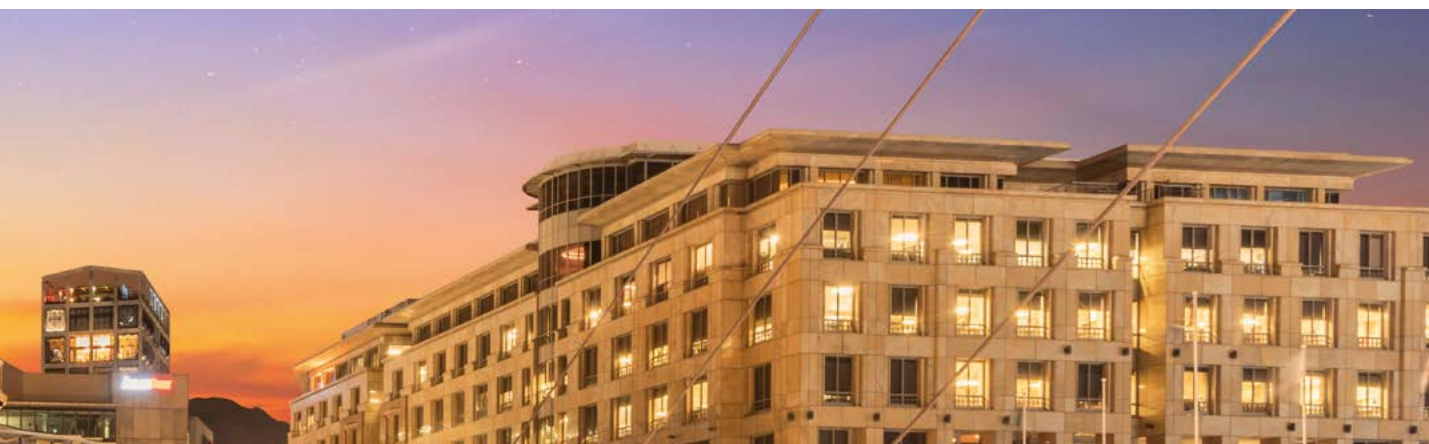


Source: Wesgro, April 2024.

Note: No visitor data supplied for Kirstenbosch National Botanical Garden for 2022 Q4 and 2023 Q1.

Figure 14 illustrates the highly seasonal nature of Cape Town's attractions, with peak visitor activity occurring in the summer period from November to March. The lowest tourist visitor numbers are typically recorded between May and July, which fall within

Cape Town's winter period. In line with the region's seasonal trends, visitor numbers continued to increase during the first quarter (compared to quarter 4 of 2023).



07 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

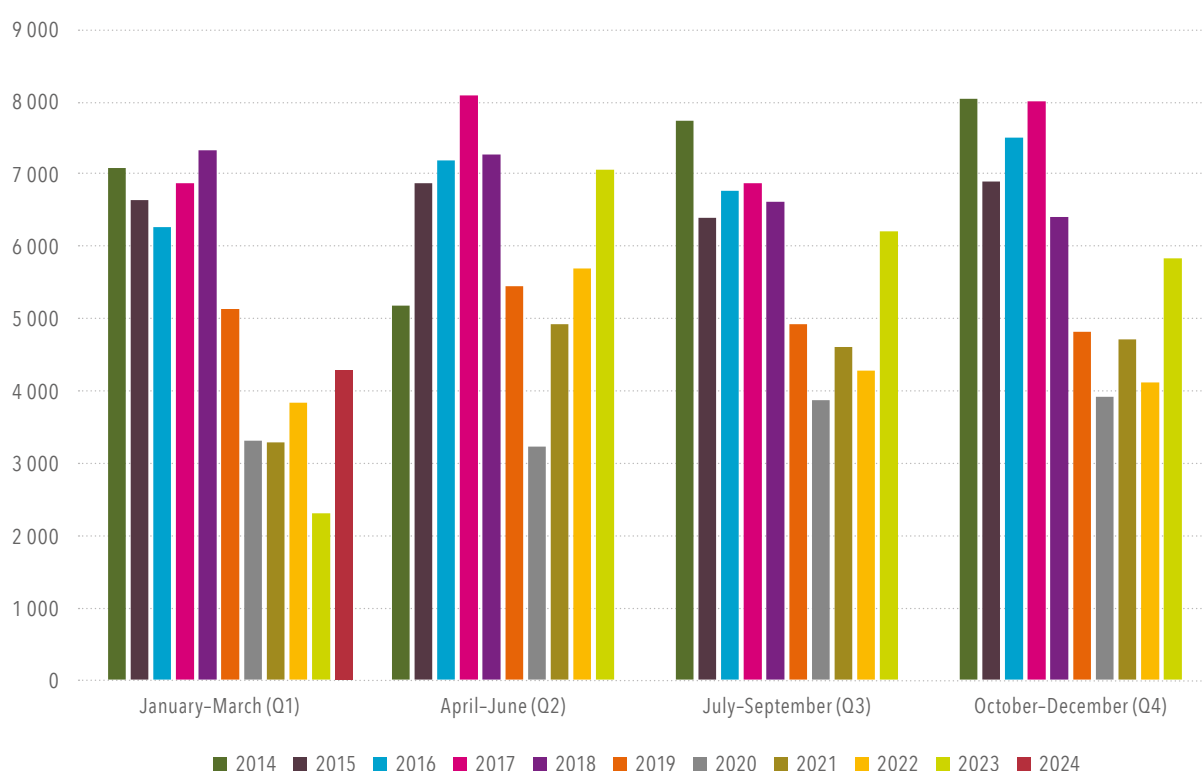
The economic growth data for the first quarter of 2024 show that national output in the construction sector declined by 3,1% quarter-on-quarter (non-annualised growth). The consecutive quarterly contractions have also impacted the sector's year-on-year performance, recording a decline of 7,9% in the first quarter of 2024. The Western Cape's construction sector mirrored these national trends, recording a quarter-on-quarter contraction of 3% in the first quarter of 2024, and year-on-year contraction of 7,6% (Quantec, 2024).

After reaching an eight-year high in the previous quarter, the First National Bank (FNB)/BER Building Confidence Index¹⁹ deteriorated by 16 index points, to register 27 index points in the first quarter of 2024. The loss reverses the improvements made in the previous two quarters, and the figure is also the lowest recorded since 2020. The current level translates to more than

70% of respondents indicating that they are dissatisfied with the prevailing business conditions in the building sector. The figure for this quarter was broad-based, with most sub-sectors declining in confidence. According to FNB, despite the declines, some improvement was evident among main contractors; however, the building sector may likely continue to underperform in the near future (BER, 2024e).

The sentiment embedded in the Building Confidence Index is often also evident in some of the City's building plan data.²⁰ For the first quarter of 2024, the number of building plans submitted declined by 27% when compared to the previous quarter. The number of building completions also recorded a quarter-on-quarter decline of 57% when compared to the fourth quarter of 2023. Building plan submissions totalled 4 276 for the first quarter of 2024, while building completions totalled 1 883 (CCT, 2024d).

FIGURE 15: BUILDING PLANS SUBMITTED TO THE CITY OF CAPE TOWN, 2014 Q1 TO 2024 Q1



Source: Planning and Building Development Management Department, CCT, June 2024.

Note: 2023 Q1 only includes data for January and up to 20 February 2023.

¹⁹ The FNB/BER Building Confidence Index captures the percentage of architects, quantity surveyors, contractors and manufacturers of building material who are satisfied with, or wary of, the prevailing business conditions.

²⁰ CCT building plans data for 2023 Q1 are incomplete due to system changes. As a result, year-on-year analyses are not included for this quarter (2024 Q1).

NEW VEHICLE SALES

At 15 613 units sold, total vehicle sales in the Western Cape in the first quarter of 2024 increased by 1,4% (213 units) from the 15 400 units sold in the fourth quarter of 2023. On a year-on-year basis, vehicle sales decreased by 6% (1 005 units) from 16 618 vehicles sold in the same period of 2023. Passenger vehicle sales in the Western Cape, which represent the private consumer segment of the market, recorded an increase to 10 659 vehicles sold in the first quarter of 2024 from 10 284 vehicles in the fourth quarter of 2023 (+3,6%). The year-on-year results showed a decrease of 7,2% (833 units) from 11 492 vehicles sold in the first quarter of 2023.

At a national level, passenger vehicle sales reported a year-on-year decrease of 8,5% (-7 644 units) from 89 939 units in the first quarter of 2023 to 82 295 units in the first quarter of 2024. This is the fifth consecutive quarter of year-on-year declines. According to the first quarter review by the National Association of Automobile Manufacturers of South Africa (naamsa), the industry [overall] continues to be hampered by a weak exchange rate, port challenges and supply chain disruptions adding pressure on costs and consumers' affordability. Amid the sluggish economic environment and weak demand, strong positive year-on-year growth was seen in the new energy vehicle²¹ segment, which was up by 82,7% (naamsa, 2024).

TransUnion's Vehicle Pricing Index (VPI) report further highlights the challenging consumer market, noting that the macroeconomic challenges of persistent low economic growth and unchanged interest rates, alongside low consumer and business confidence, contribute to the deferment of long-term financial commitments, including vehicle purchases. In the first quarter of 2024, the used-to-new ratio continued to decline, recording 1,15, compared to 1,23 in the previous quarter.

The VPI²² for new vehicles recorded a decline in the first quarter of 2024, from 6,3% to 4,7%. Similarly, the VPI for used vehicles recorded 2,1% in the first quarter of 2024, declining from the 6,4% recorded in the previous quarter. The lower-than-inflation price increases reflect stabilising prices in the used vehicle market, as well as incentives and discounts offered in the new vehicles market (TransUnion, 2024).

After the Department of Trade, Investment and Competition's Electrical Vehicle (EV) White Paper was published in December 2023, the February 2024 Budget Speech unveiled plans to introduce an investment allowance for new EV investments, set to start in March 2026. This initiative allows for claiming 150% of qualifying investment spending in the initial year, representing a pivotal move to attract investments, encourage innovation, and bolster the growth of South Africa's automotive sector (naamsa, 2024).



²¹ 'New energy vehicles' include traditional hybrid and plug-in hybrid, and battery electric vehicles (naamsa, 2024).

²² 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.

ABBREVIATIONS

ACSA:	Airports Company South Africa
BER:	Bureau for Economic Research
BFAP:	Bureau for Food and Agriculture Policy
CCT/City:	City of Cape Town
CPI:	consumer price index
CT:	Cape Town
CTT:	Cape Town Tourism
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
GNU:	government of national unity
GVA:	gross value added
GWh:	Gigawatt hours
HS:	Harmonized System
IMF:	International Monetary Fund
JSE:	Johannesburg Stock Exchange
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
Q:	quarter
QLFS:	Quarterly Labour Force Survey
RMB:	Rand Merchant Bank
SA:	South Africa
SARB:	South African Reserve Bank
SARS:	South African Revenue Service
SPU:	small power users
TEU:	twenty-foot equivalent unit
VPI:	Vehicle Pricing Index
WC:	Western Cape
WEO:	World Economic Outlook
ZAR:	South African rand

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