



CITY OF CAPE TOWN
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INVEST CAPE TOWN

Economic Performance Indicators for Cape Town



2022 QUARTER 1
(January - March)

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ACKNOWLEDGEMENTS

The EPIC quarterly publication is a collaboration between the Enterprise and Investment, and Policy and Strategy departments of the City of Cape Town. The EPIC publication presents and analyses economic (and related) trends in Cape Town on a quarterly basis. This edition focuses on the first quarter of 2022, covering the period 1 January to 31 March 2022.

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FOREWORD

At the beginning of 2022, I set out my goal for my work as the Mayoral Committee Member for Economic Growth under the banner of a simple phrase: 'The recovery from the Covid-19 crisis must lead to a different economy.'

The simplicity of this sentence does not, however, carry over into enacting it. The complexities of economic growth, particularly with global and local socioeconomic conditions such as they are, do not allow for this.

And so it is with great gusto that we began the year by rolling out various programmes and platforms intended to stoke growth and create a wellspring of job opportunities.

One of the first of these was the implementation of the business retention and expansion programme, managed by the Investment Facilitation Branch (IFB) within the Enterprise and Investment Department. The programme assists large and small firms to identify roadblocks and solutions in their operating environment.

The first quarter of 2022 also saw the launch of The Cape Trade Portal (**CapeTradePortal.com**) under Wesgro, the trade and investment promotion agency for Cape Town and the province.

The City directs funding towards Wesgro for just this kind of innovation. The Cape Trade Portal is a digital marketplace for Cape-based exporters that connects them directly with buyers and also serves as a dedicated centre of skills development resources. Through the portal, exporters can tap into training and mentoring programmes, keep updated on upcoming trade exhibitions, get support with non-tariff export barriers as well as assistance with regulatory and compliance requirements.

We have also continued the Cape Skills and Employment Accelerator Project which aims to facilitate over 3 000 jobs in three years, by providing training and workplace experience in high-growth

industries, such as business process outsourcing (BPO, commonly referred to as call centres), for previously unemployed South African youth and women.

Together with domestic-facing clients, more than 70 000 people now work in the sector in Cape Town. Last year, the international BPO market in Cape Town contributed around R14 billion to the metro's economy.

South Africa has fast become one of the most favoured locations internationally for BPO companies. For the second consecutive year, 700 executives from the demand markets of Australia, Canada, France, Germany, Italy, Spain, the UK, and the USA gave South Africa the accolade of being "the most favoured offshore CX delivery location in 2022" in the annual Ryan Strategic Advisory Front Office BPO Omnibus Survey.

Cape Town and the Western Cape continue to be the most sought-after location for offshore CX delivery in the country, and in the past year has improved its market share to 65% of all delivery in South Africa.

This rapid expansion of business in Cape Town's call centre market is a testament to the City's investment into skills development and job placements in its high-growth industries.

And because we are keenly aware that small businesses are the engine room of innovation and opportunity, we oversee and fund a series of around 30 skills development sessions for aspiring and existing entrepreneurs and informal traders that cover topics ranging from costing and pricing of products, to tendering, business improvement strategies, and market access.

In the past three years, more than 3 000 start-ups and traders have gone through these programmes while our Business Hub has resolved 6 440 queries.

It is through these kinds of initiatives that Cape Town maintains its status as the metro with the lowest unemployment rate, while helping to grow the provincial economy by 8,9% in Q1 2022.

The recently approved R713 million Economic Growth budget will help us to further expand on this work so that we can continue making the unemployment queue shorter while boosting our economy.

My thanks once again to my team and colleagues at the City who work doggedly to understand how best to foster opportunity for Capetonians. Let's keep moving forward.



Alderman James Vos
Mayoral Committee Member
for Economic Growth

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INTRODUCTION

In this 36th edition of the quarterly EPIC publication, we present statistics and analyses of Cape Town's key economic trends. This edition focuses on quarter 1 of 2022, covering the period 1 January to 31 March 2022.

The first quarter of 2022 was off to a positive start for the South African and Western Cape economies. National GDP showed better-than-expected growth of 1,9% (non-annualised) quarter-on-quarter – an improvement of 0,5 of a percentage point from the fourth quarter of 2021. This spilled over to the Western Cape's GDP, which showed positive (annualised) quarter-on-quarter growth of 8,9% (relative to 8% at the national level), indicative of a continued recovery to pre-Covid pandemic economic health. Much of this positivity is thanks to growth gains made by the manufacturing and finance sectors which added 2,9 and 2,3 percentage points, respectively, to total provincial growth. The positive uptick in manufacturing activity is mirrored by an increase in combined electricity sales to commercial and industrial users in the first quarter of 2022.

While formal employment in Cape Town decreased on a year-on-year basis, informal employment saw an expansion evidencing a long-awaited recovery in the hard-hit informal sector. Encouragingly, despite a year-on-year increase in non-searching unemployed, the number of discouraged work seekers has observed a decline. While the impact of economic growth on employment tends to have a lagged effect, a promising symmetry between the two is the growth of economic activity and employment in the manufacturing sector where employment grew by 13 454 jobs.

Employment growth in the transport and communication segment (28 509 jobs) did, however, outstrip that in manufacturing, but the interrelationship between the two sectors, in terms of the movements of goods to customers, re-emphasises the enhanced levels of economic activity. Combine this with improved business confidence sentiments and an increase

in exports from Cape Town in the quarter, and there are signals of a positive economic recovery path.

While the performance of the tourism sector remains subdued relative to pre-pandemic times, there are also signs of improvements with Cape Town's accommodation establishments recording an average occupancy rate of 64,3% in the first quarter of 2022. On a quarterly comparison basis, all three international airports saw higher passenger movements relative to the fourth quarter of 2021 – induced in part by the resumption of many flight routes.

One challenging trend is continued global price pressure, fuelled by, among other factors, the lingering economic impacts of Covid pandemic lockdowns and the supply-side impacts of the Russia-Ukraine war and zero-Covid lockdowns in China. This prompted the Monetary Policy Committee (MPC) to increase the repo rate twice in the first quarter of 2022 to manage inflation. Key drivers of these increases include the steady incline in headline inflation and the upward pressure on inflation expectations from food and fuel prices heightened by the war. The automotive sector is expected to take particular strain from the impact of rising interest rates and fuel prices (coupled with factor input shortages due to lockdowns in China and the Russia-Ukraine war), with sales expected to decline.

Despite these pressures, inflation in the Western Cape was both notably lower than at the national level (5,9%), and relative to the fourth quarter of 2021 (5,9%) in the first quarter of 2022, at 5,6%. While the war has also led to higher global food prices, and looks likely to continue to place upward pressure on food prices, the Western Cape's food price inflation maintained its fourth quarter of 2021 level, averaging 6,1% (relative to 6,6% nationally).

In terms of outlook, while promising signs of recovery have appeared recently, the World Bank

anticipates looming recessions in many countries. The risk of stagflation (low growth coupled with high prices) is now a real one with middle- and low-income countries most exposed to the damaging impacts. A number of major economies are tightening their belts by implementing interest rate hikes to curb inflationary pressures. The MPC expects to continue its recent tightened monetary policy approach by implementing further repo rate hikes in anticipation of further global price increases. The Bureau for Economic Research notes that this will place further pressure on consumer spending. Further, with weaker global growth anticipated for 2023, domestic exports are also facing the risk of contraction. With persistent load-shedding in South Africa – expected to continue through the winter – there is an additional strain being placed on households and businesses. Now more than ever, the programmes which the city's Mayor has prioritised, including easing the ability of firms to do business in Cape Town and eliminating load-shedding (through, among other mechanisms, the procurement of greener energy), have a prominent role to play in building the resilience of the economy to these shocks.

Meagan Jooste Upadhyaya

Head of Economic Research

NOTE

For this edition, it is important to be mindful that year-on-year changes (i.e. comparing data in the analysis period to that of the first quarter of 2021) 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 first quarter of 2020 to provide insight into whether the respective market conditions have recovered or worsened when compared to pre-pandemic levels.

KEY FINDINGS FOR THE FIRST QUARTER OF 2022

In the first quarter of 2022, the Western Cape **economy** grew with 8,9% quarter-on-quarter growth, mirroring the national trend. The **growth** was mainly driven by manufacturing (21,4%), along with seven more sectors that recorded positive growth during the quarter.

The Western Cape recorded an **inflation rate** of 5,6% at the end of the first quarter of 2022, a decrease from the 5,9% shown at the end of the previous quarter. The national inflation rate was recorded at 5,9%.

Cape Town's top five **tourist attractions** recorded a total of 193 548 visitor numbers in the first quarter of 2022. This represented a year-on-year decline of -36,3%, while visitor numbers remain 82,3% lower when compared to the same period in 2020.

Cape Town **accommodation establishments** recorded an average occupancy rate of 64,3% in the first quarter of 2022. Despite the improvements within the market, however, the industry remains subdued due to persistent low numbers of international visitors.

Air passenger movements across the country's international airports increased on a year-on-year and quarter-on-quarter basis. In the first quarter of 2022, Cape Town International recorded 1 887 947 passenger movements, however, it remains 26,6% lower when compared to the same period in 2020.

Cape Town's **trade**, on a quarter-on-quarter basis, recorded an increase in **exports** and **imports** in the first quarter. Exports were mainly led by refined petroleum oils. On a year-on-year basis, first quarter exports recorded an increase of 19,7% from levels shown in the first quarter of 2021, and a 30,7% increase in the same period in 2020.

In the first quarter of 2022, the City of Cape Town recorded a year-on-year increase in **building plan** submissions to 3 829. The total value of building completions recorded higher when compared to the same period in 2021 (40,7%) as well as 2020 (15,9%).

01





OVERVIEW

CAPE TOWN OVERVIEW 2022: QUARTER 1

GROSS DOMESTIC PRODUCT (GDP)

The **Western Cape** accounted for **R653 billion^a** of the **R4,6 trillion gross domestic product (GDP)** generated by **South Africa** in the first quarter of 2022. 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**

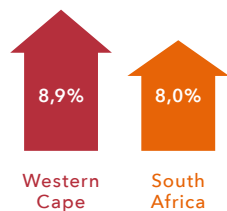


^a At constant 2015 prices, seasonally adjusted and annualised. Source: Quantec, 2022.

^b Source: IHS Markit, 2021.

GDP GROWTH RATE

During the first quarter of 2022, the **Western Cape** recorded a quarter-on-quarter **GDP growth rate of 8,9%**, compared to **national GDP growth of 8,0%^c**.



^c At constant 2015 prices, seasonally adjusted and annualised. Source: Quantec, 2022.

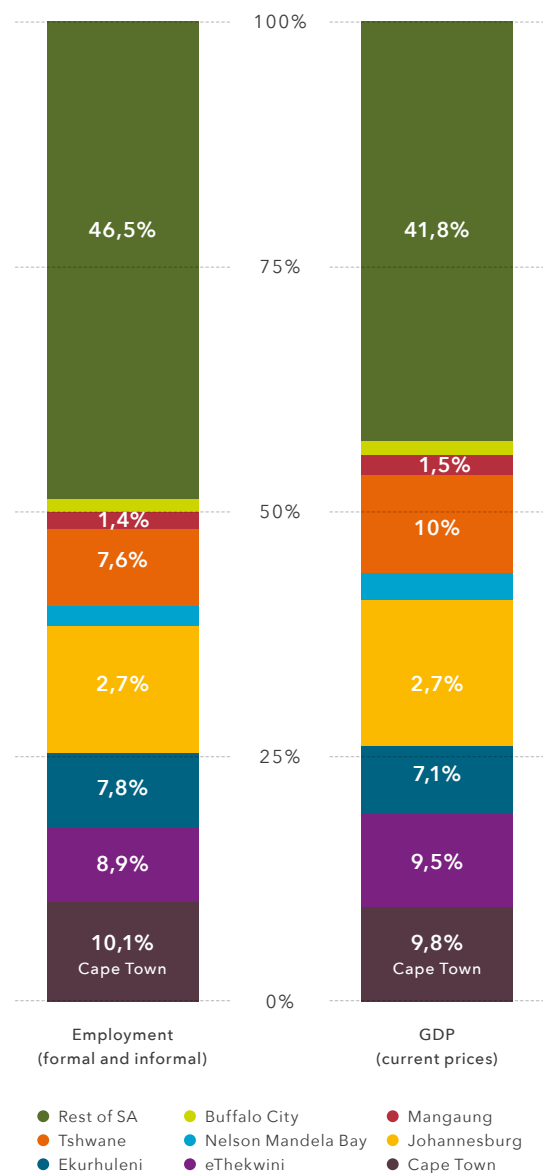
GDP PER CAPITA

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**

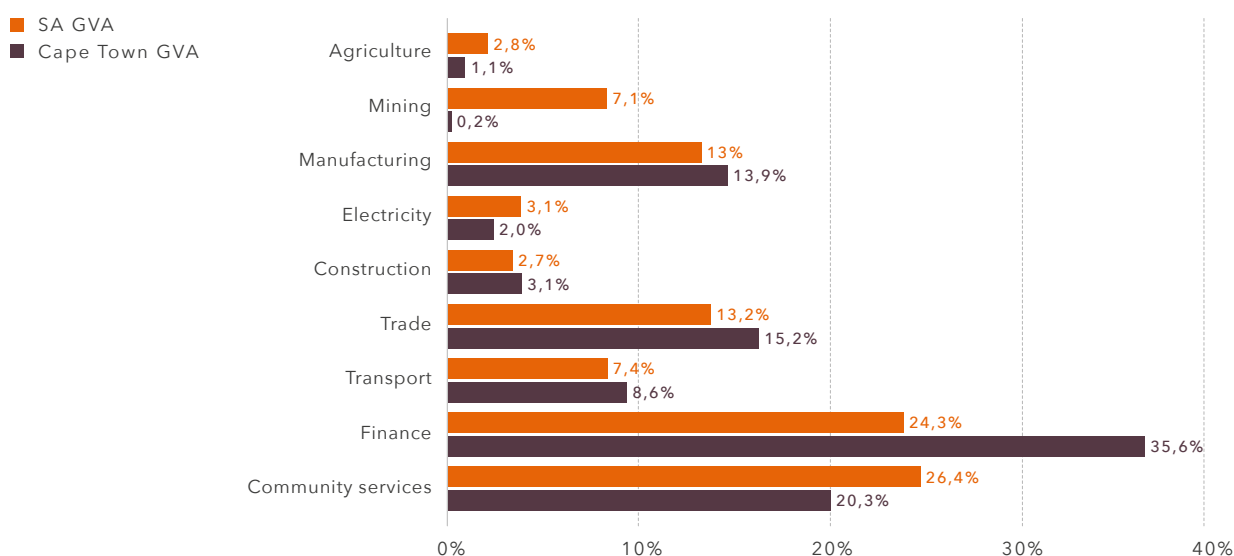


^d At current prices. Source: IHS Markit, 2021.

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



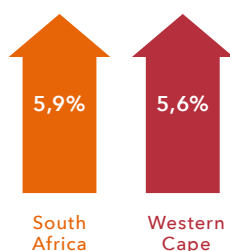
^e At current prices. Source: IHS Markit, 2021.

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 first quarter of 2022, **South Africa** had an inflation rate of **5,9%**. The **Western Cape's** inflation rate for the same period was **5,6%**.^g



^g Source: Statistics South Africa (Stats SA), 2022.

POPULATION

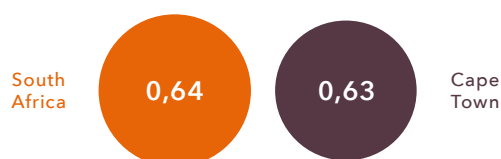
South Africa has a population of **59 622 350**. A total of **7 005 741 people** (11,8% of the national population) live in the **Western Cape**. Of those, **4 604 986** are residents of **Cape Town**.^h



^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



ⁱ Source: IHS Markit, 2021.

VISITOR ATTRACTIONS

In the first quarter of 2022, tourists and residents made **193 548** visits to **Cape Town's five major attractions**.^j



^j Source: Wesgro, 2022.

AIR PASSENGER MOVEMENTS

Of the **5 929 524** passengers that moved through **South Africa's three international airports**^k during the first quarter of 2022, **1 887 947** used **Cape Town International Airport**.^l

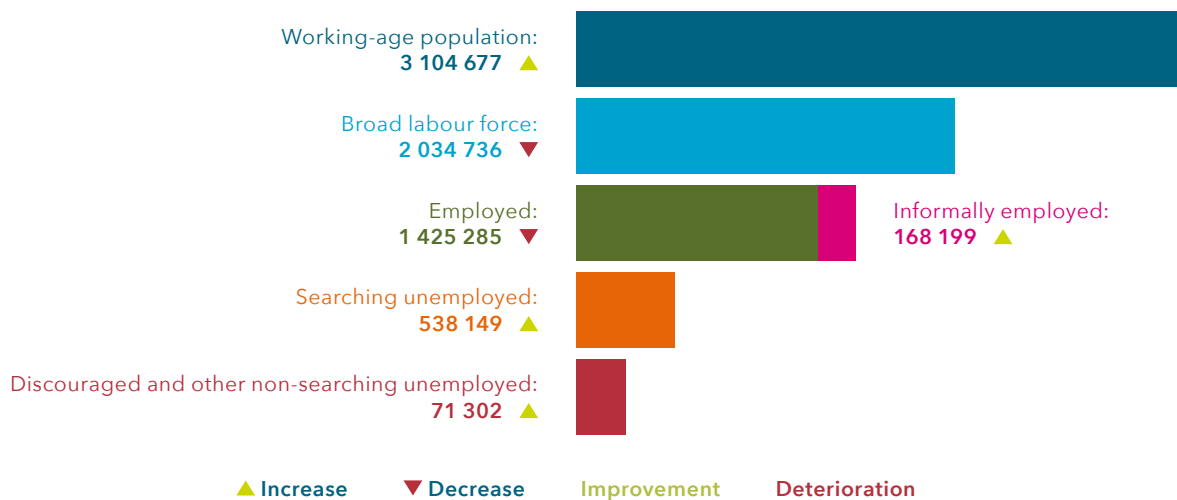


^k Cape Town, OR Tambo and King Shaka.

^l Source: Airports Company South Africa, 2022.

LABOUR OVERVIEW 2022: QUARTER 1

LABOUR INDICATORS 2022 Q1 (YEAR-ON-YEAR CHANGES)¹

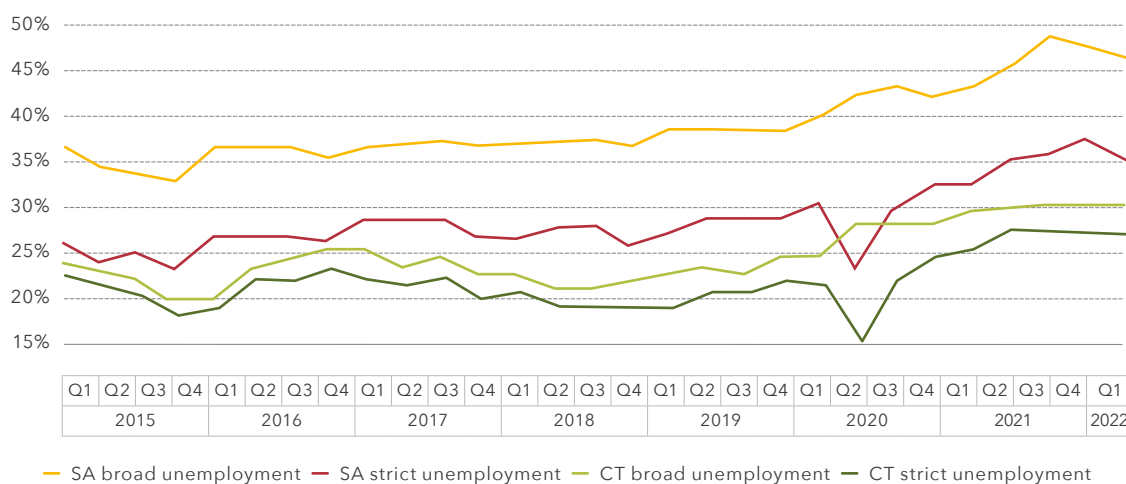


Labour force participation rate (strict) = 63,2%

Absorption rate = 45,9%

¹ For this edition, no quarter-on-quarter comparison can be made due to no data released nor available for the fourth quarter of 2021.
Source: Statistics South Africa, Quarterly Labour Force Survey, 2022 Quarter 1, May 2022.

STRICT VERSUS BROAD UNEMPLOYMENT RATES FOR SOUTH AFRICA AND CAPE TOWN, 2015 Q1 TO 2022 Q1



Source: Statistics South Africa, Quarterly Labour Force Survey, 2022 Quarter 1, May 2022.



02





ECONOMIC GROWTH

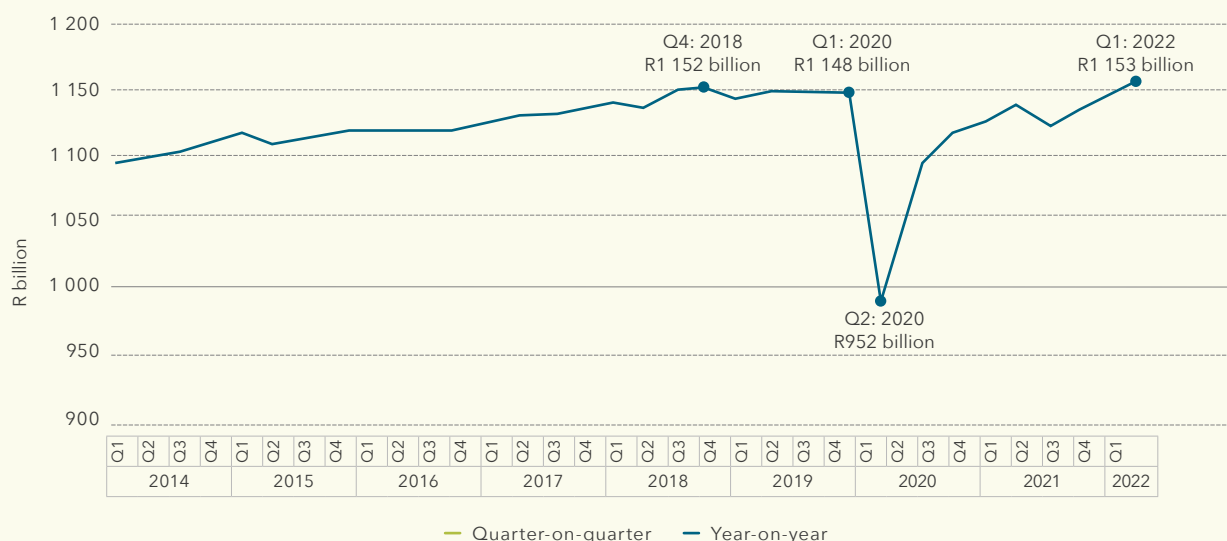
Gross domestic product (GDP) growth is one of the most widely used measures of economic performance in a country or region. It provides an indication of the level of value-added production that takes place in an economy during a specific period. Large cities such as Cape Town are typically the loci of economic production, and are therefore often the main drivers of economic growth in a region.

SOUTH AFRICA'S QUARTER-ON-QUARTER ECONOMIC PERFORMANCE

Following its rebound in the previous quarter, the South African economy continued on its recovery trajectory in the first quarter of 2022 and recorded GDP growth of 1,9% quarter-on-quarter (non-annualised, as per the change in Statistics South Africa's reporting conventions).² This represents an improvement of 0,5 of a percentage point from the previous quarter (which was revised upward by 0,2 of a percentage point to 1,4%).

The recovery in the first quarter of 2022 was better than expected, exceeding the Bloomberg consensus for 1,2% growth, as well as the Bureau for Economic Research's (BER) expectation for growth of 1,3% (non-annualised). The positive performance also resulted in real GDP, at the national level, returning to pre-Covid (2019 Q4) levels, as illustrated in figure 1 (BER, 2022a).

FIGURE 1: SOUTH AFRICA'S REAL GDP (CONSTANT 2015 PRICES, SEASONALLY ADJUSTED), 2014 Q1 TO 2022 Q1



Source: Statistics South Africa, gross domestic product, first quarter 2022, 7 June 2022.

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 first quarter of 2022, the national economy recorded annualised growth of 8,0% quarter-on-quarter, improving by 2,4 percentage points from the previous quarter (which was revised upward by 0,9 of a percentage point to 5,6%) (Quantec, 2022). This quarter's growth was driven by growth in eight sectors. The largest sectoral growth was recorded in the manufacturing sector which grew by 21,2% and added the most to total national growth, with 2,6 percentage points. This was followed by

the trade and hospitality sector which grew by 12,8% and added 1,6 percentage points to total national growth, and the electricity and water sector which recorded 8,3% quarter-on-quarter growth and added a further 0,2 of a percentage point to total national growth in the first quarter of 2022. Following its negative growth in the previous quarter, the finance and business services sector rebounded with 7,2% quarter-on-quarter growth in the first quarter of 2022, adding the second most to

² 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 (Stats SA, 2021a).

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

the total national growth with 1,9 percentage points. The agriculture sector, which has been recording relatively large growth (and contraction) figures since the start of the Covid-19 pandemic, recorded a muted 3,0% quarter-on-quarter growth in the first quarter of 2022, adding 0,1 of a percentage point to total national growth.

Indicative of the unequal economic recovery still under way, two sectors recorded contractions in the first quarter of 2022. The largest contraction was recorded in the mining sector, with -4,2% quarter-on-quarter, and which subtracted 0,2 of a percentage point from total national growth. This was followed by the construction sector which contracted by 2,7% quarter-on-quarter, and subtracted 0,1 of a percentage point from total growth. These recordings constitute the mining sector's third consecutive quarterly contraction, and the construction sector's fourth consecutive one.

Additional indicators of the economic climate reflect the economy's strained path of recovery. After remaining unchanged at 43 index points in the previous quarter, the RMB/BER Business Confidence Index increased to 46 index points in the first quarter of 2022. According to the BER, despite the index remaining below the neutral-50 mark, this improvement signifies the index

reaching its long-term average (BER, 2022b). In contrast, the FNB/BER Consumer Confidence Index remains significantly low, declining further from -9 to record -13 index points for the first quarter of 2022. While South Africa has continued to reduce its pandemic-related restrictions, the weak consumer sentiment is attributed to the ongoing conflict between Russia and Ukraine and its subsequent impact on commodities and notably food supplies (BER, 2022c).

The Absa Purchasing Managers' Index (PMI) survey is more indicative of manufacturing activity as it centres on components such as business activity, new sales orders, supplier performance, prices and employment, in addition to business sentiment. Following a drop by the end of the previous quarter (to 54,1 index points), the Absa PMI recorded improvements throughout the first quarter of 2022. By March 2022 the Absa PMI recorded 60,0 index points, which were mirrored in the manufacturing sector's performance for this quarter. Similar to the results of the Business Confidence Index, however, the index's component tracking expectations in six months' time fell by 14,4 points to record 55,1 index points, attributed to global uncertainties as a result of the Russia-Ukraine conflict (2022d).

A GLOBAL COMPARISON OF ECONOMIC PERFORMANCE IN THE FIRST QUARTER

According to the International Monetary Fund (IMF, 2020), the so-called Great Lockdown – an unprecedented global response to the Covid-19 pandemic – triggered the worst recession since the Great Depression. The IMF (2021) 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”. After entering 2022 in a weaker-than-expected position (IMF, 2022a), global economic recovery faces further setbacks as a result of the war in Ukraine (IMF, 2022b).

While the worst is expected to be felt by Ukraine and Russia, spill-over effects have already reached the rest of the world through economic fragmentation as several countries severed commercial ties with Russia. Furthermore, commodity markets have also been negatively impacted, with the knock-on effect on inflation. Accordingly, the IMF notes that these will impact

vulnerable populations the worst, particularly in low-income countries.

In its latest World Economic Outlook, the IMF (2022b) notes global economic output for 2021 recorded at 6,1%, which is slightly higher than their previous expectation of 5,9%. Despite the positive result, global developments have resulted in downward revisions of the IMF's forecasts. Global growth for 2022 and 2023 is forecast at 3,6% each (downwardly revised by 0,8 and 0,2 of a percentage point, respectively). Its forecast for 2022 is underpinned by a downwardly revised growth forecast for advanced economies to 3,3% (down by 0,6 of a percentage point compared to its WEO Update of January 2022 publication). In addition, its forecast for emerging and developing economies has also been downwardly revised (by 1,0 percentage point) to 3,8%. For South Africa, however, the IMF has left forecasts unchanged, expecting growth of 1,9% in 2022, and 1,4% for 2023.

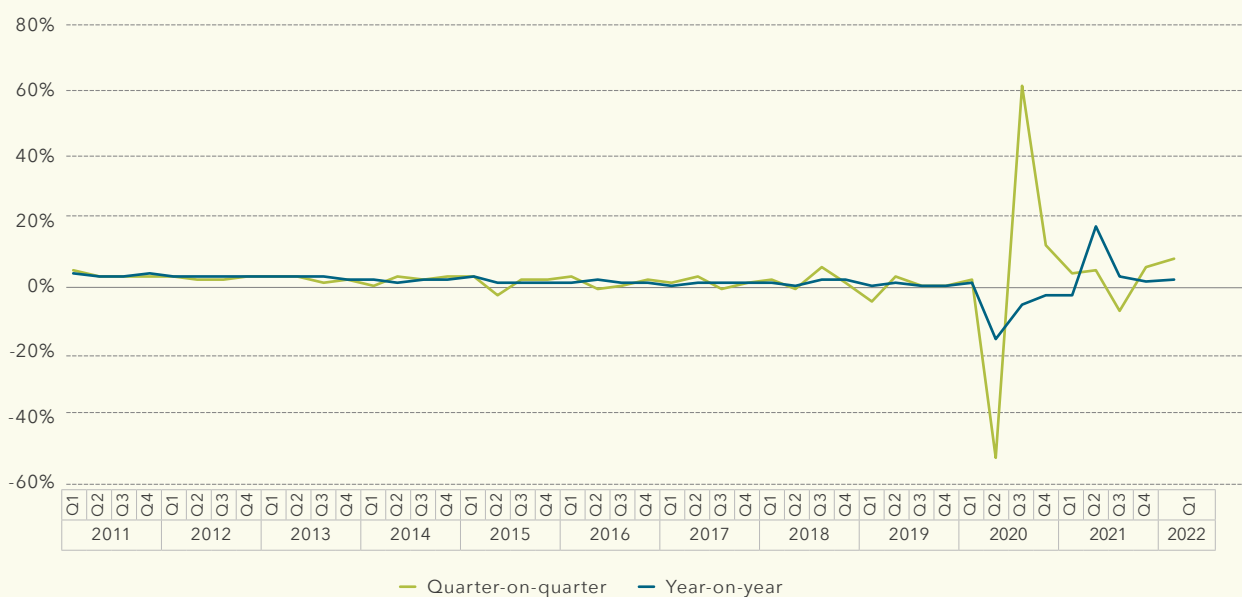
WESTERN CAPE AND CAPE TOWN ECONOMIC PERFORMANCE

The Western Cape economy contributes around 14% of South Africa's gross domestic product (GDP). In line with the national economy's performance (8,0%), the Western Cape's economy recorded annualised growth of 8,9% quarter-on-quarter for the first quarter of 2022.

The year-on-year data for the Western Cape indicate a similar performance to that of the country as a whole.

South Africa experienced positive year-on-year growth in the first quarter of 2022, recording 2,9%, while the Western Cape economy recorded year-on-year growth of 3,0%. The improved year-on-year growth is underpinned by several sectors recording improved year-on-year growth rates in the quarter under review.

FIGURE 2: REAL GDP GROWTH FOR THE WESTERN CAPE, 2011 Q1 TO 2022 Q1



Source: Quantec, 2022.

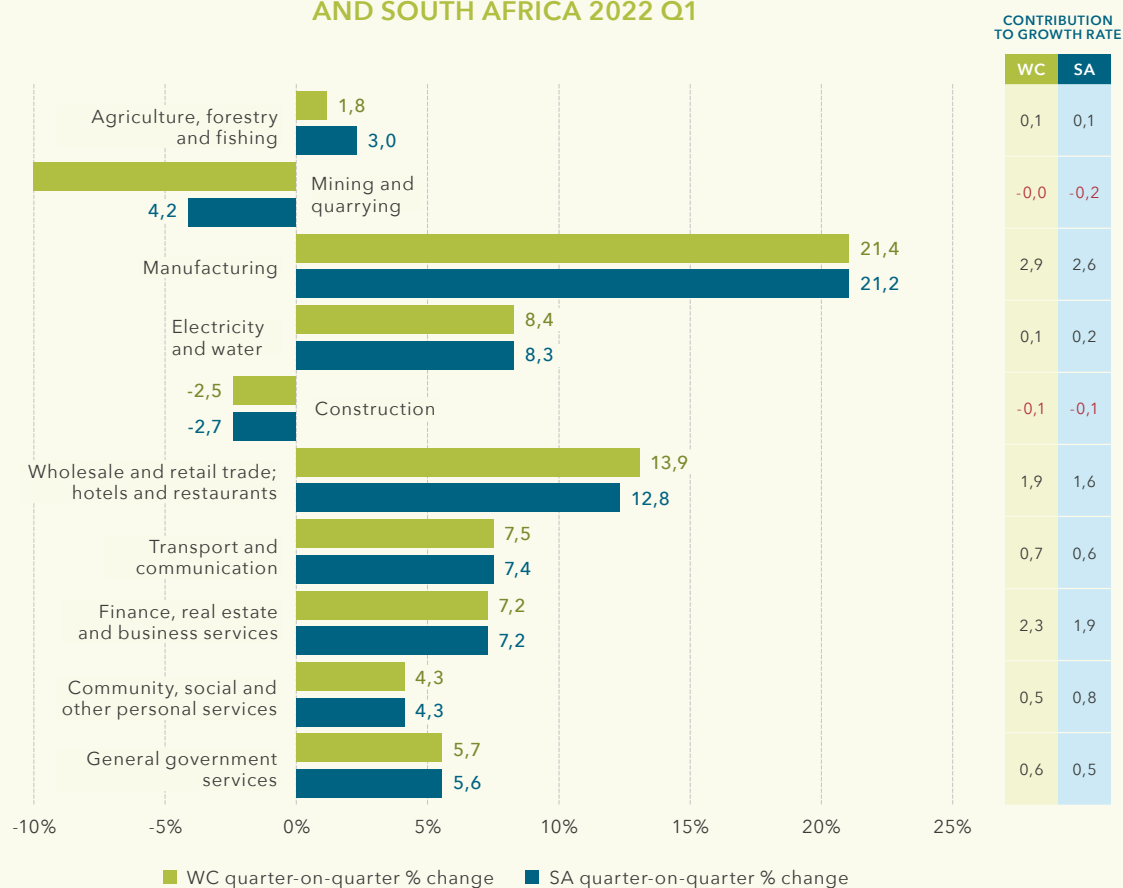
As at the national scale, the manufacturing sector recorded the largest sectoral growth in the province (21,4%). This performance translated into adding 2,9 percentage points to total provincial growth, making it over the largest positive contributor. The trade and hospitality, and electricity and water sectors followed with 13,9% and 8,4% quarter-on-quarter growth, respectively, adding 1,9 and 0,1 percentage points to total provincial growth. Similar to the national level, the finance and business services sector recorded growth of 7,2% quarter-on-quarter, however, added a slightly higher 2,3 percentage points to total provincial growth; this is due to it constituting a higher portion of the provincial economy (31,6%) than at the national level (25,8%). The agriculture sector recorded the lowest quarter-on-quarter

growth (1,8%) and added 0,1 of a percentage point to total provincial growth.

Two sectors recorded contractions in the provincial economy in the first quarter of 2022, subtracting a combined 0,1 of a percentage point from the total provincial growth rate. The largest contraction was recorded in the mining sector (-16,4%), however, due to its significantly small share of the economy (0,1%), its performance translated into a minute impact on total provincial growth. The construction sector recorded a contraction of -2,5% quarter-on-quarter, subtracting 0,1 of a percentage point from total provincial growth. This performance marks the sector's fourth consecutive contraction.

When analysing for sectoral trends, fluctuating performances across the national and provincial economies highlight the impact of the Covid-19 pandemic. Overall, sectors do not seem to have stabilised yet, attributable also to the impact of current geopolitical tensions which is slowing economic recovery.

FIGURE 3: SECTORAL REAL GDP-R GROWTH RATES IN THE WESTERN CAPE AND SOUTH AFRICA 2022 Q1



Source: Quantec, 2022.

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

At the end of the first quarter of 2022, the CPI⁴ remained the same at 5,9% compared to the end of the fourth quarter of 2021. As illustrated in figure 4, the CPI was 5,7% in January, increasing to 5,9% in February and remaining the same in March. Overall, the CPI remained just within the inflation target range (3–6%) for this quarter. According to Statistics South Africa (2022), the main contributors to the overall CPI inflation rate for March 2022 included transport, food and non-alcoholic beverages, and alcoholic beverages and tobacco.

According to the Monetary Policy Committee (MPC) statement of March 2022 (South African Reserve Bank [SARB], 2022), the headline inflation outlook for 2022 was revised upwards from 4,9% to 5,8%, while the outlook for 2023 is expected to be more controlled as fuel prices are anticipated to ease. The MPC noted the impact of the Russia-Ukraine war on rising food and fuel prices and stated that these continue to present short to medium [upward] risk towards inflation. Further comments were made on the upward pressure from electricity prices on inflation, and that these risks will be closely monitored for future decision making.

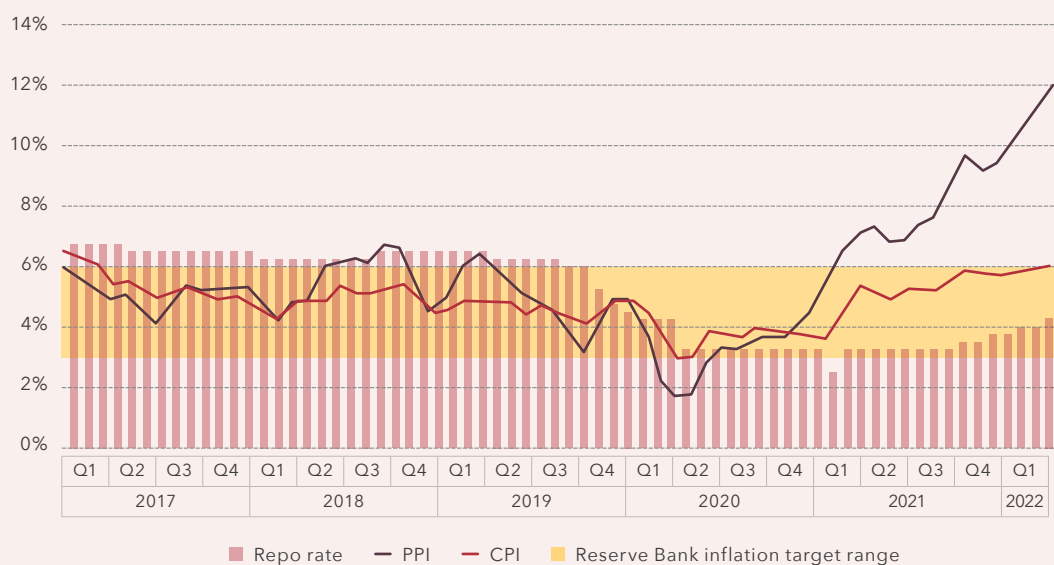
For the first quarter of 2022, the PPI⁵ recorded an increase to an average of 10,8%, after averaging 9,5% in the

previous quarter. The index recorded monthly readings of 10,1% in January, increasing further to 10,5% in February and to 11,9% in March 2022. Since the start of the second quarter of 2021, the PPI moved above the upper end of the inflation target range (6%) and continued to increase well above that level. In addition, the PPI recording for March 2022 is the highest it has been since November 2008 when it breached the 12% mark (Stoddard, 2022). The main inflationary contributors to the PPI in March (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 6 percentage points in March 2022, the largest to date. The notably higher PPI contributes to CPI edging towards the upper end of the inflation target range, although this upward pressure currently remains tempered by weak demand conditions.

Figure 4 illustrates changes in the repurchase rate (repo rate). As indicated in the graph, the repo rate increased twice during the first quarter of 2022 by a total of 50 basis points. This took the repo rate to 4,25% from a previous

FIGURE 4: CPI AND PPI TRENDS FOR SOUTH AFRICA, JANUARY 2017 TO APRIL 2022



Source: CPI and PPI, extracted from Statistics South Africa, 2022; repo rate extracted from SARB, 2022.

⁴ Statistics South Africa (2022) published changes to the consumer inflation basket, accounting for changes in household spending habits. Effective January 2022, the CPI includes 415 items in its basket, compared to previously 404 items.

⁵ 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.

3,75%. According to the MPC statement of March 2022 (SARB, 2022), key reasons for this decision were the steady incline recorded in headline inflation and the upward pressure on inflation expectations from food and fuel prices as aggravated by the war. Further concerns that carried weight to the decision were currency volatility, capital flow reversals and global

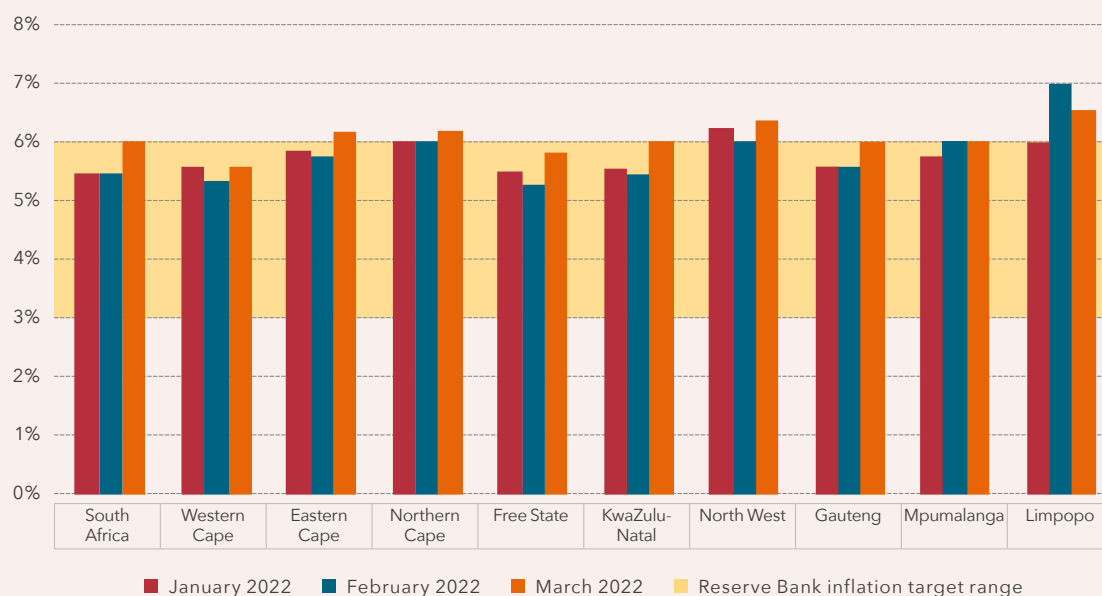
policy easing impact on global prices. The MPC further commented that there will be gradual increases in the repo rate going forward, however, the policy will remain accommodative to keep finances supportive for credit demand as the economy continues to recover from the impact of the Covid-19 pandemic.

GEOGRAPHICAL INFLATION

The Western Cape recorded an inflation rate of 5,6% at the end of the first quarter of 2022, lower than that of the country. This was slightly lower than the 5,9% at the end of the preceding quarter. Figure 5 illustrates inflation rates recorded in the first quarter of 2022 across all nine provinces of the country. Compared to the end of the fourth quarter of 2021, all provinces experienced inflationary increases except for the North West and

Western Cape. At the end of March, six of the provinces breached the upper end of the inflation target range of 6%, except for KwaZulu-Natal, the Free State and Western Cape. Limpopo recorded the highest inflation rate for the quarter under review, with an average of 6,5%, followed by the North West (6,3%) and the Northern Cape (6,1%). Contrary to historical trends, the Western Cape recorded the lowest average inflation rate of 5,5% for the period.

FIGURE 5: CPI INFLATION RATE AT A PROVINCIAL LEVEL, JANUARY TO MARCH 2022



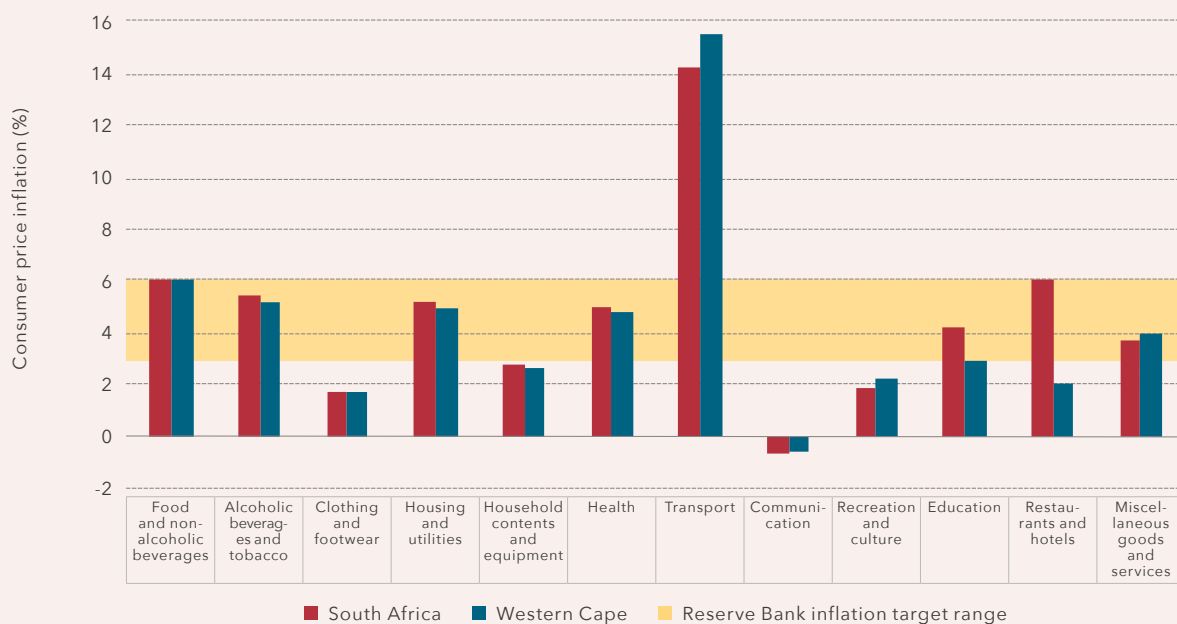
Source: Statistics South Africa, June 2022.

As indicated in figure 6, for both South Africa and the Western Cape, the higher [overall] inflation recordings for the first quarter of 2022 can largely be attributed to transport inflation, which recorded an average inflation rate close to 15%. At the national level, food and non-alcoholic beverages as well as restaurants and hotels' price inflation recorded averages of above 6%, which also placed upward pressure on overall inflation, while the rest remained within 3 - 6%. For the Western Cape, the rest of its categories recorded inflation rates within the target range of 3% to 6%.

Transport price inflation was 15,3% on a national level and even higher on a provincial level (16,1%) for March

2022. This was largely driven by [its sub-category of] fuel price inflation for both the country and province. Fuel price inflation for March was higher at a provincial level (33,8%) compared to 33,2% at a national level. Although a drop was recorded when compared to the end of December 2021, it remains considerably high and of great concern. According to Stats SA (2022b), the price of petrol⁶ reached an all-time high of R21,60 in March 2022.⁷ Fuel prices over the last 12 months have increased by nearly 33,2%. This acceleration in the price of petrol could largely be attributed to the increase in the price of oil to an average price of \$100 per barrel for the first quarter of 2022 compared to [an average price of] \$77 per barrel for the fourth quarter of 2021.

FIGURE 6: AVERAGE CONSUMER PRICE INFLATION FOR THE WESTERN CAPE AND SOUTH AFRICA, 2022 Q1



Source: Statistics South Africa, June 2022.

⁶ Price of inland 95-octane petrol.

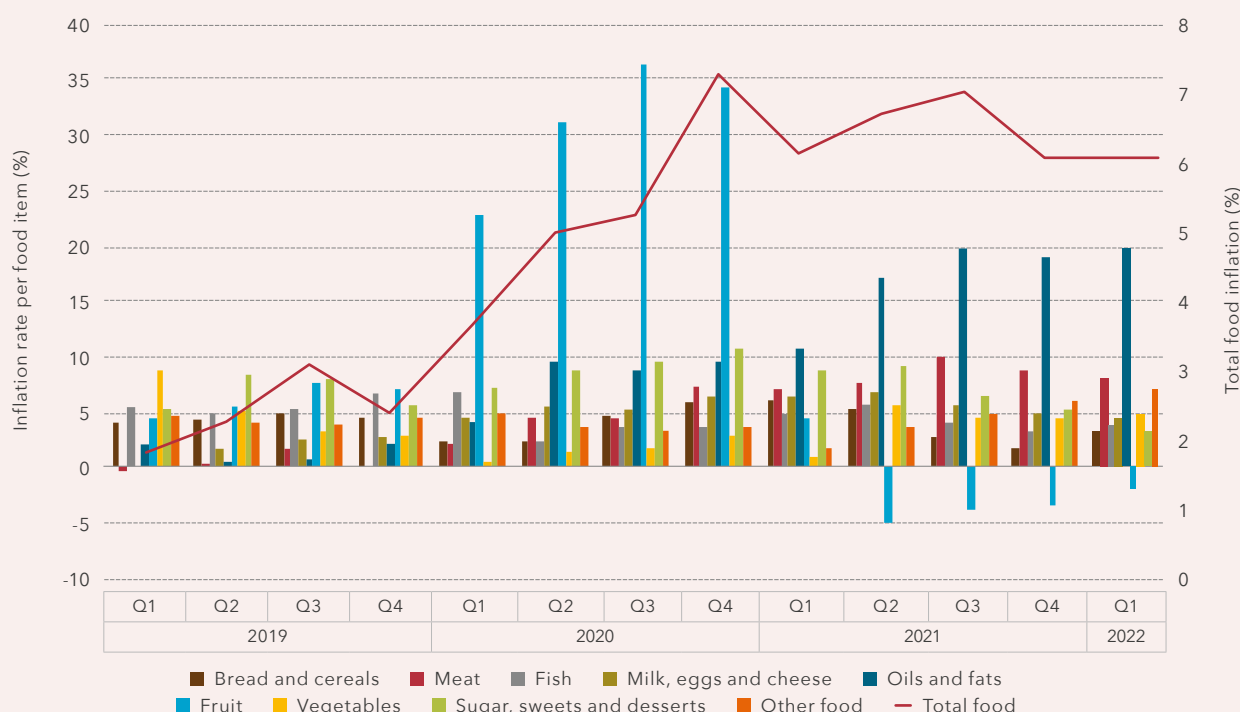
⁷ And has continued to increase since then.

WESTERN CAPE FOOD INFLATION

Tracking and monitoring food price changes have become increasingly important as household income levels face increasing pressures, which further threaten their access to food. Figure 7 tracks food price inflation in the Western Cape, which has been displaying an upward trend since the beginning of 2020. In the first quarter of 2022, the food price inflation rate remained the same compared to the corresponding period a year

ago, averaging at 6,1% (compared to 6,6% nationally), thus indicating a slowdown for two consecutive quarters. The food items that demonstrated the highest average inflation rates in the first quarter of 2022 were: oils and fats (19,7%) and meat (8,3%). The fruit category continued to experience deflation, recording an average rate of 2,5% in the first quarter of 2022.

FIGURE 7: WESTERN CAPE FOOD PRICE INFLATION, 2019 Q1 TO 2022 Q1



Source: Statistics South Africa, May 2022.

Many countries were on a recovery trajectory from the impact of Covid-19 and concerning weather conditions on global food prices. However, the Russia-Ukraine war has dampened this outlook since Russia and Ukraine are two of the world's largest exporters of wheat, corn and oil. The ongoing war has been the biggest global driver of higher food prices. This is largely attributed to supply shortages of agricultural inputs such as wheat, which is influencing South Africa's grain prices and resulting in the price of food items such as bread and cereal being more expensive (Haldane, 2022). In addition, food producers in many countries are banning exports of key inputs such as wheat to control increasing food prices in their local market, thus exerting more [upward] pressure on global food prices (Strohecker et. al., 2022).

The Agricultural Business Chamber of South Africa expects the country's food inflation to average at 6% in 2022 due to global and local factors (Naidoo, 2022). In addition, a study by Absa demonstrated that the war will lead to food price inflation averaging at 6,5% in 2022, and 7,7% in 2023, mostly driven by the price of bread and cereals, as well as oils and fats (BusinessTech, 2022a). Furthermore, production and logistical costs are expected to continue rising, and alongside disruptions to fertiliser supplies due to the war, higher food inflation is likely to be prolonged (BusinessTech, 2022b). The rising food prices will continue to have a significant impact on many poor households who spend a large portion of their income on food, making it difficult for these households to absorb rising food prices.

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.

On 19 March 2020, Statistics South Africa (2020) suspended its face-to-face data collection process due to the Covid-19 pandemic. As a result, the mode of data collection for the Quarterly Labour Force Survey (QLFS) was changed to Computer Assisted Telephone Interviewing (CATI). Statistics SA has indicated that the lifting of Covid-19 restrictions has allowed for data collection to commence through the face-to-face method. This further allowed the rotation of interviewee samples in 2021 Q2. This sample was also used for 2021 Q3 and Q4.

When the data were released for 2021 Q4 in March 2022, there were some data quality concerns due to a decline in response rates. Following several verification

processes, Statistics South Africa decided to not release the metro data for that quarter. No metro data are thus available for the fourth quarter of 2021. Statistics South Africa re-introduced face-to-face interviews with the hope of an improvement in the response rates in the first quarter of 2022. It yielded a higher response rate, however, still below pre-Covid 19 levels. Data users are advised to use estimates with caution. Further details on the methodology can be reviewed in the official QLFS publication.

For this edition, there will be no quarter-on-quarter analysis, however, reference will be made to the third quarter of 2021 and a year-on-year analysis will be included.

CAPE TOWN'S LABOUR MARKET PERFORMANCE

When compared to the first quarter of 2021, Cape Town's working age population (3,1 million) increased, while the labour force recorded a decrease to 1,96 million individuals for the first quarter of 2022. Discouragingly, employment decreased on a year-on-year level, recording a total of 1,43 million individuals when compared to 2021 (down by -35 988 individuals). The total for employment is lower than what was recorded in the third quarter of 2021 (1,45 million individuals). The labour absorption rate (45,9%) and labour force participation rate (63,2%) decreased when compared to the same quarter of 2021. Both rates also recorded lower percentages when compared to the third quarter of 2021.

The number of discouraged work seekers decreased (by 11 675 individuals) to 25 541 individuals in the first quarter of 2022, when compared to the same period in 2021. The decrease in employment and the net increases recorded in the non-searching category, combined with the increase in searching unemployment, ultimately resulted in a higher broad unemployment rate of 30% from a previous 29,6% in the first quarter of 2021. Cape Town's broad unemployment rate remained lower than any of the other metros in South Africa. Furthermore, Cape Town's broad unemployment for the first quarter of 2022 is lower when compared to the 30,2% recorded in the third quarter of 2021.

TABLE 1: CAPE TOWN LABOUR MARKET INDICATORS, 2022 Q1

	RECORDED			CHANGE BETWEEN 2022 Q1 AND 2021 Q3 ⁸	YEAR-ON-YEAR CHANGE
	2022 Q1	2021 Q3	2021 Q1	(vs 2021 Q3)	(vs 2021 Q1)
Working-age population	3 104 677	3 075 025	3 047 755	29 652	56 921
Broad labour force	2 034 736	2 088 071	2 074 906	- 53 335	- 40 170
Strict labour force	1 963 434	2 012 788	1 989 091	- 49 354	- 25 657
Employed: Total	1 425 285	1 458 402	1 461 273	- 33 117	- 35 988
Employed: Formal sector	1 172 099	1 242 293	1 224 236	- 70 193	- 52 137
Employed: Informal sector	168 199	126 414	160 090	41 786	8 110
Unemployed (strict)	538 149	554 386	527 818	- 16 237	10 331
Not economically active	1 141 243	1 062 237	1 058 664	79 006	82 578
Discouraged work seekers	25 541	26 998	37 216	- 1 457	- 11 675
Other not economically active	1 115 701	1 035 239	1 021 448	80 462	94 253

Source: Statistics South Africa, Quarterly Labour Force Survey, 2022 Quarter 1, May 2022.

⁸ A quarter-on-quarter comparison is usually supplied, however, due to the non-release of metro data in the QLFS 2021 Q4, a comparison is included to the latest available quarterly data, i.e. 2021 Q3.

EMPLOYMENT COMPARISON OF METROS

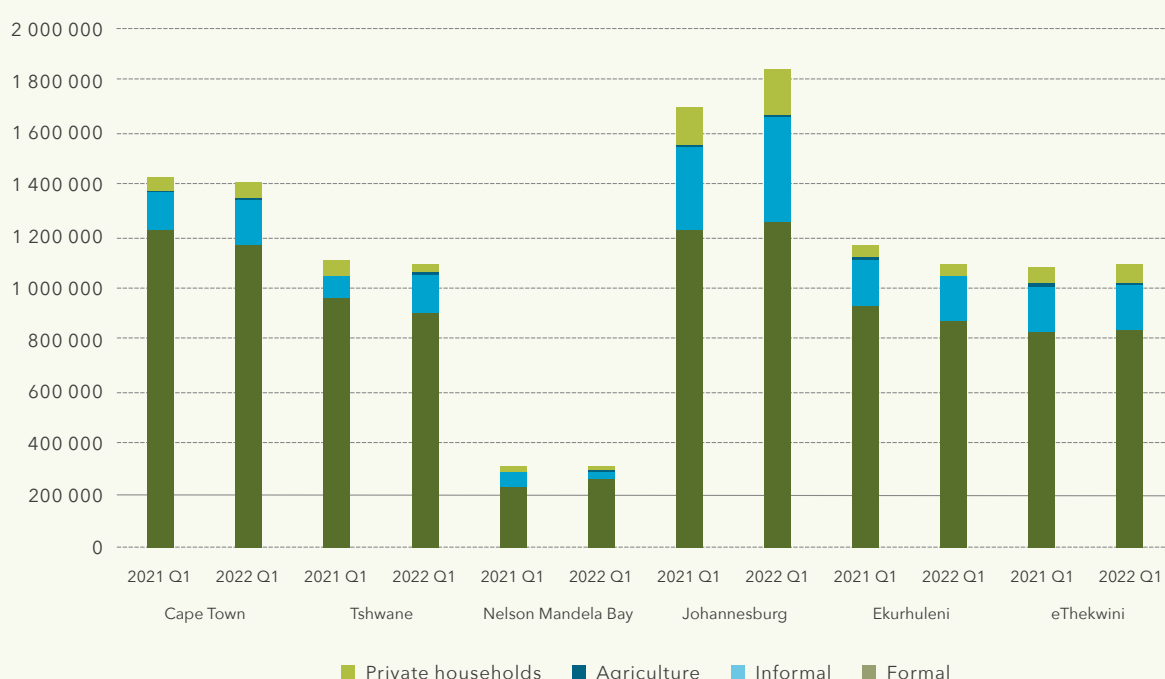
When measuring Cape Town's job creation performance, a comparison with other metropolitan municipalities (metros)⁹ in the country is helpful. In the first quarter of 2022, Cape Town continued to have the second-highest number of employed people, at 1,43 million individuals. This is second only to Johannesburg, where 1,84 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 metros displayed a mixed performance, with three metros recording increases and three metros recording decreases in their employment

levels. Johannesburg added the most to employment (122 915 jobs) followed by eThekwin (25 876 jobs) and Nelson Mandela Bay (21 902 jobs). Ekurhuleni recorded the largest decrease (-41 580 jobs), followed by Cape Town (-27 906 jobs) and Tshwane (-9 872 jobs).

For Cape Town, formal employment decreased on a year-on-year (-52 137 jobs) basis, whereas, encouragingly, informal employment experienced an increase of 8 110 jobs to record 1 172 099 and 168 199 individuals respectively. The agriculture and private households categories recorded employment gains (up by 611 and 7 428 individuals respectively).

FIGURE 8: EMPLOYMENT COMPARISON WITH OTHER METROS BY MAJOR SECTOR, 2021 Q1 VERSUS 2022 Q1



Source: Statistics South Africa, Quarterly Labour Force Survey, 2022 Quarter 1, May 2022.

⁹ This comparison does not include all South African metro cities.

UNEMPLOYMENT IN CAPE TOWN

The number of (searching) unemployed people in Cape Town increased by 10 331 individuals to record a total of 538 149 individuals at the end of the first quarter of 2022, when compared to the same period in 2021. However, when compared to the third quarter of 2021, the total number of unemployed people shows a decline. The decrease recorded in employment and the increase recorded in unemployment resulted in a higher strict unemployment rate of 27,4% when compared to the same period of 2021 (26,5%). When compared to the third quarter of 2021, the strict unemployment rate decreased marginally from 27,5%.

The youth unemployment rate in Cape Town, defined as the strict unemployment rate for individuals aged 15 to 24, was estimated at 56,4% in the first quarter of 2022, having increased from 52,3% in the same quarter

of 2021. However, it decreased when compared to 58,1% in the third quarter of 2021. While this remains below the national youth unemployment rate of 63,9% recorded in the first quarter of 2022 (increasing from 63,3% on a year-on-year basis), it is nonetheless notably high by average developing country standards and continues to pose a key challenge for economic policymakers in the city.

While comparisons of Cape Town's unemployment trends with those of the country as a whole are important, it is perhaps more relevant to compare these Cape Town trends to other metros that have similar labour market dynamics (see table 2). On a year-on-year basis, Cape Town had the lowest strict and broad unemployment rates at 27,4% and 30,0%, respectively (up from 26,5% and 29,6%, respectively, compared to 2021 Q1), when compared to all the other metros.

TABLE 2: UNEMPLOYMENT RATE COMPARISON OF METROS, 2022 Q1 VERSUS 2021 Q3 AND 2021 Q1

METRO	OFFICIAL (STRICT)			EXPANDED (BROAD)		
	2022 Q1	2021 Q3	2021 Q1	2022 Q1	2021 Q3	2021 Q1
Cape Town	27,4%	27,5%	26,5%	30,0%	30,2%	29,6%
eThekweni	28,4%	21,8%	20,6%	36,8%	39,6%	34,9%
Ekurhuleni	30,8%	33,7%	34,4%	44,8%	42,1%	41,3%
Johannesburg	39,1%	40,8%	34,1%	41,1%	46,7%	41,8%
Nelson Mandela Bay	36,4%	40,7%	39,2%	39,1%	40,8%	39,3%
Tshwane	38,2%	36,1%	36,7%	41,3%	39,6%	40,3%

Source: Statistics South Africa, Quarterly Labour Force Survey, 2022 Quarter 1, May 2022.

Four metros experienced an increase in their strict unemployment rate, while two experienced a decrease when compared to the same quarter of 2021. Three metros experienced an increase in their broad unemployment rate, whereas three metros experienced a decrease when compared to the same quarter of 2021. eThekweni recorded the highest increase in its strict unemployment rate (up by 7,8 percentage points to 28,4%) while Ekurhuleni recorded the highest increase in its broad unemployment rate (up by 2,7 percentage points to 44,8%). On the other hand, Ekurhuleni recorded the largest decrease in its strict unemployment rate (down by 3,6 percentage points to 30,8%). Cape Town

recorded minimal increases in both its strict and broad unemployment rates of 0,9 and 0,4 of a percentage point respectively.

Johannesburg recorded the lowest difference between its two rates of unemployment (2 percentage points). Ekurhuleni recorded a 14 percentage-point difference, which is the largest of all the metros. Cape Town had a difference of 2,5 percentage points (second lowest) between the two rates of unemployment, which can be attributed to the city having a relatively smaller (although increasing) number of discouraged work seekers than the other metros.

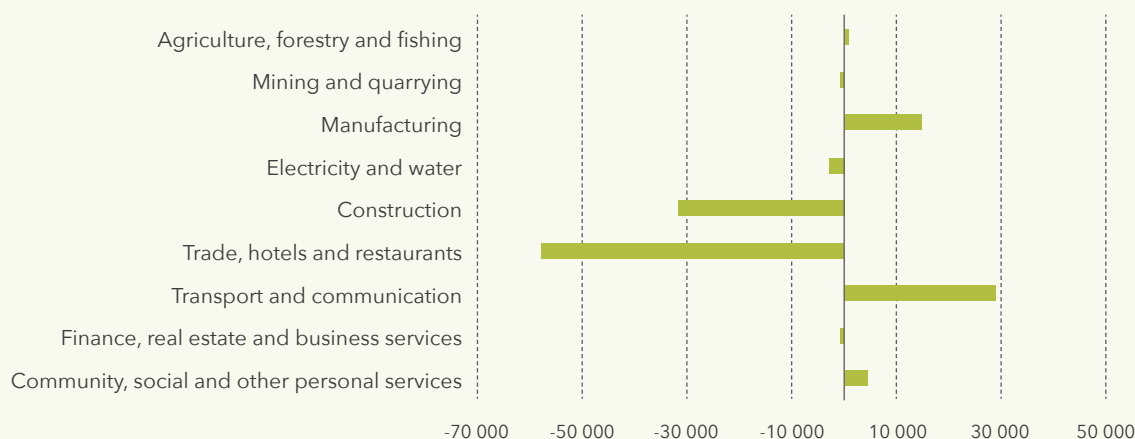
SECTOR EMPLOYMENT TRENDS FOR CAPE TOWN

Figure 9 presents the change in the level of employment by sector in Cape Town in the first quarter of 2022 compared to the same period of 2021.

Five sectors have shown signs of recovery, recording year-on-year employment gains compared to the same quarter of 2021. In contrast, five sectors displayed negative employment growth when compared to the same period. The transport and communication sector added the most to employment (up by 28 509 jobs) followed by the manufacturing (13 454 jobs) and private

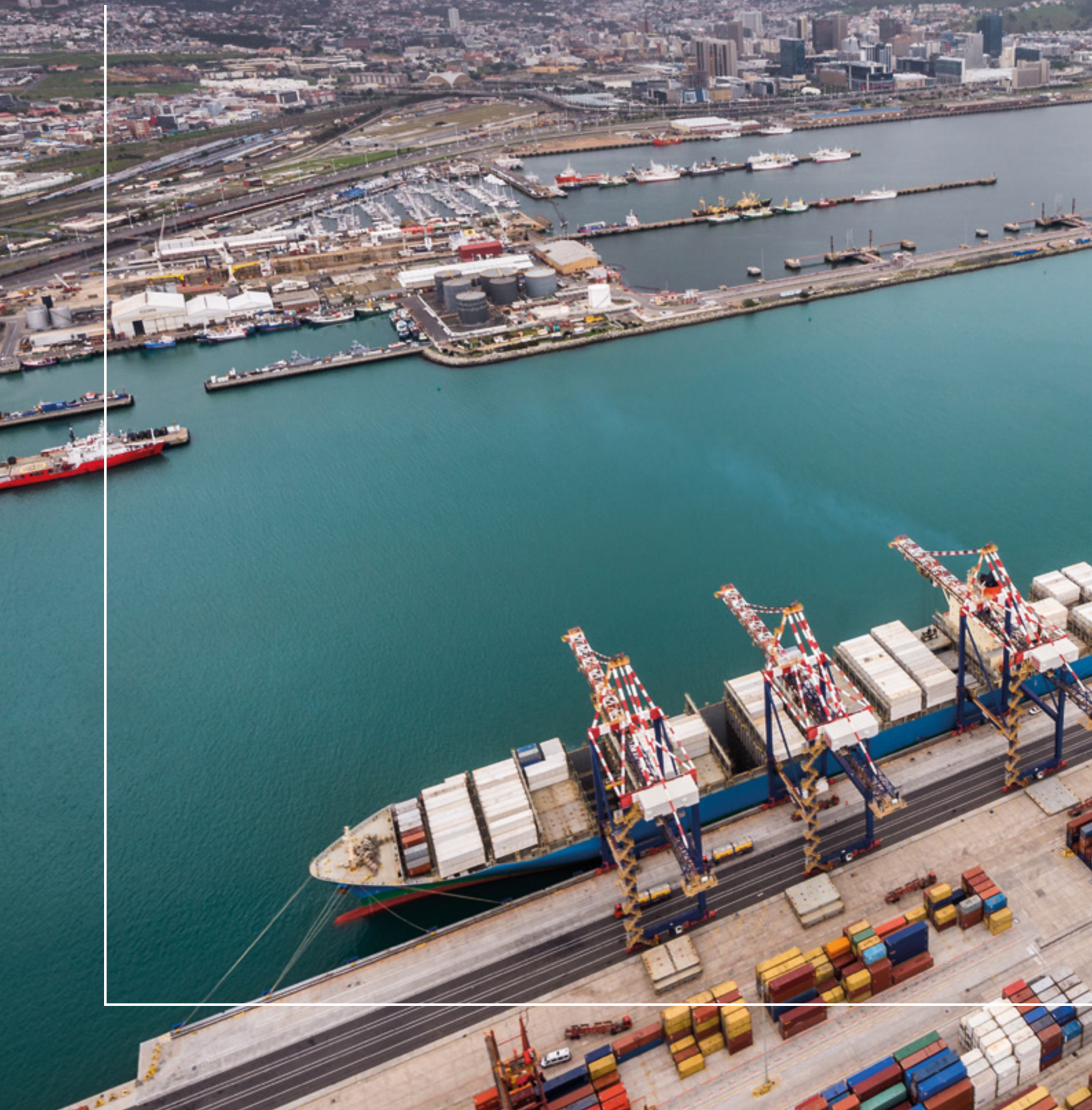
households (7 428 jobs) sectors. Employment gains on a year-on-year basis were also recorded in the community, social and other personal services (up by 5 006 jobs) as well as agriculture, forestry and fishing (up by 611 jobs) sectors. Trade, hotels and restaurants recorded the largest decrease of 56 487 jobs, followed by the construction sector (down by 31 556 jobs) as well as the electricity and water (down by 3 337 jobs) sectors. The finance, real estate and business services, and mining and quarrying sectors also displayed negative year-on-year employment growth (-797 and -494 jobs respectively).

FIGURE 9: ANNUAL CHANGE IN EMPLOYMENT PER SECTOR FOR CAPE TOWN, 2022 Q1



Source: Statistics South Africa, Quarterly Labour Force Survey, 2022 Quarter 1, May 2022.

05





INFRASTRUCTURE AND TRADE

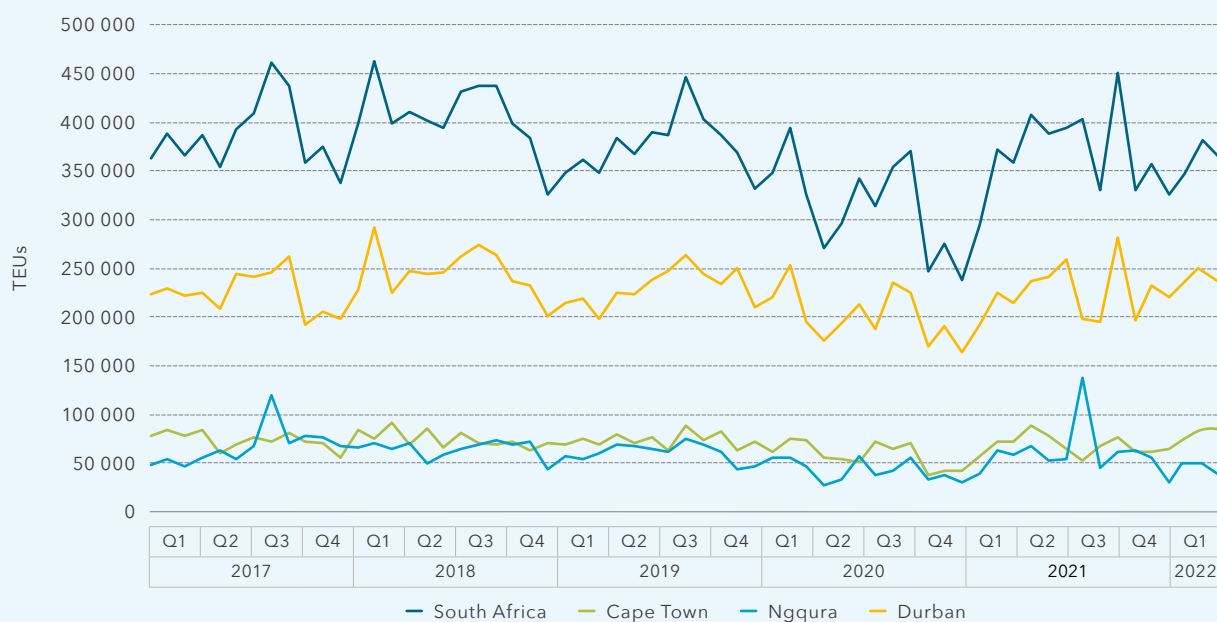
Cape Town is often cited as the gateway to South Africa and Africa. This status is sustained by the city's well-developed transportation infrastructure, including having South Africa's second-busiest airport, as well as (historically) its second-busiest container port. This section reviews infrastructure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

CONTAINER TRAFFIC

Container traffic demonstrates 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),¹⁰ over the period of a year. The Port of Durban¹¹ remained the largest container handling port in South

Africa, handling a total of 692 556 TEUs in the first quarter of 2022, which accounted for 63,8% of all containers handled in the country. It was followed by the Port of Cape Town (20,8%) and the Port of Ngqura¹² (12,4%).

FIGURE 10: TOTAL CONTAINERS HANDLED (NATIONALLY), 2017 Q1 TO 2022 Q1



Source: Transnet National Ports Authority, May 2022.

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 5,8%, from 1 026 521 TEUs in the first quarter of 2021 to 1 085 853 TEUs in the first quarter of 2022. The Port of Cape Town experienced an increase from 202 280 TEUs in the first quarter of 2021 to 225 549 TEUs in the first quarter of 2022, reflecting the highest year-on-year

increase of 11,5% among the ports. The Port of Durban recorded an increase of 9,5%, while the Port of Ngqura recorded a decrease of 16,7% when compared to the first quarter of 2021. The latest quarterly data demonstrated a relatively similar pre-pandemic performance for the ports except for the Port of Ngqura, thus signalling a path of recovery from the lockdown periods and the subsequent impacts on the country's leading ports.

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 TEU.

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

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

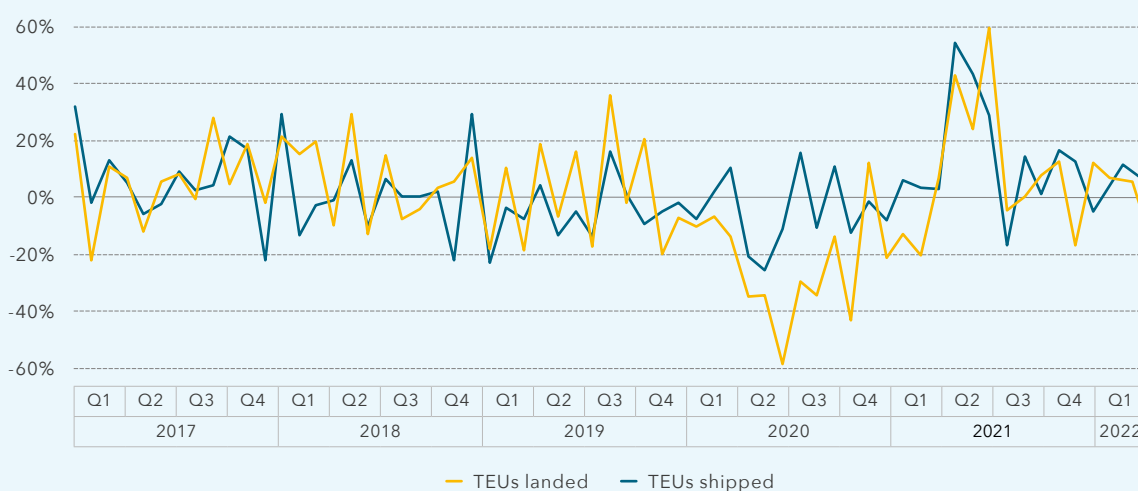
TABLE 3: COMPARISON OF TOTAL CONTAINERS HANDLED (IN TEUs)

	2022 Q1	2021 Q4	2021 Q1	YEAR-ON-YEAR CHANGE
South Africa	1 085 853	1 013 751	1 026 521	5,8%
Cape Town	225 549	188 526	202 280	11,5%
Durban	692 556	649 949	632 209	9,5%
Ngqura	134 305	148 901	161 667	-16,9%

Source: Transnet National Ports Authority, May 2022.

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 1,4% in TEUs landed, from 57 507 TEUs

in the first quarter of 2021 to 58 306 TEUs in the first quarter of 2022. The number of TEUs shipped decreased by 31,9% from 86 683 TEUs in the first quarter of 2021 to 59 023 TEUs in the first quarter of 2022.

FIGURE 11: ANNUAL CHANGE IN TEUs HANDLED AT THE PORT OF CAPE TOWN, 2017 Q1 TO 2022 Q1

Source: Transnet National Ports Authority, May 2022.

The Port of Cape Town is an integral channel for exports and imports and remains an important economic gateway for the province. However, logistical issues and bottlenecks continue to cause inefficiencies at this port, currently worsened by the Russia-Ukraine conflict. In addition, the ongoing inefficiency challenges are reaffirmed by the World Bank's most recent Container Port Performance Index,¹³ ranking the Port of Cape Town at 365th out of 370 ports in the world, marking it as one of the least efficient ports globally (The World Bank Group, 2022). The current inefficiency challenges are expected to continue for the next 12 to 24 months due to the global shortage of space and containers, disruptions due to

geopolitical and civil instability, as well as high ocean freight rates that will persist in 2022 (Kriel, 2022).

Many capacity interventions to address some immediate challenges to improve port efficiency have occurred over the past six months. These include the installation of the hydraulic shore tensioning system to reduce delays caused by ranging,¹⁴ as well as the re-introduction of operator incentives (Western Cape Economic Development and Tourism, 2022). The private sector is also working with the Port of Cape Town towards addressing infrastructure and logistical issues at the port in order to persuade shipping lines not to bypass this port (Kriel, 2022).

¹³ The CPPI is a comparable index of global container port performance intended to serve as a reference point for key stakeholders in the global economy.

¹⁴ 'Ranging' refers to ship movements caused by wave surges.



CAPE TOWN TRADE

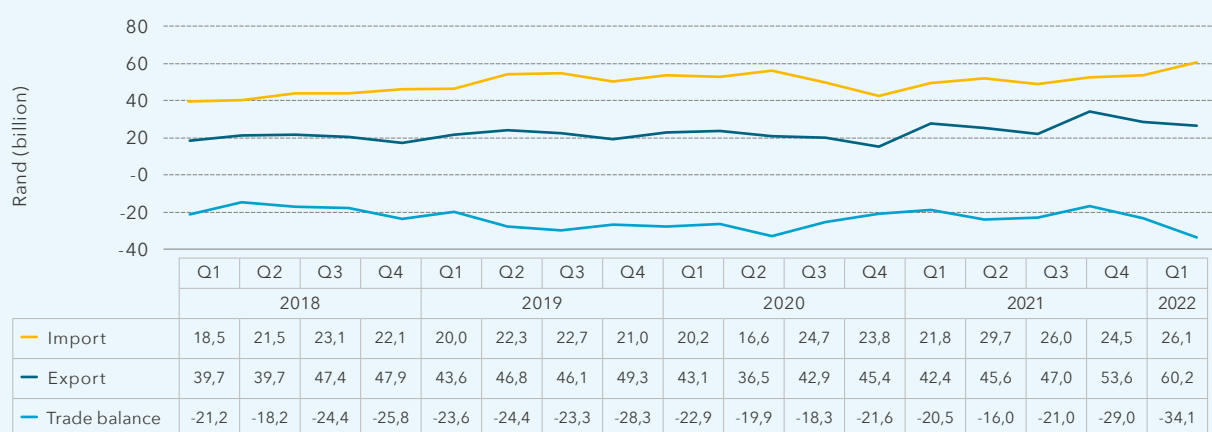
In the first quarter of 2022, both quarterly exports and imports increased, as illustrated in figure 12, which shows the quarterly trade balance for Cape Town. Exports increased by 6,5% to R26,1 billion and imports increased by 12,4% to R60,2 billion. The large jump in imports above the R60 billion threshold resulted in the largest quarterly trade deficit ever recorded for Cape Town (-R34,1 billion).

The largest quarterly growth in exports was for copper ores, followed by grapes and raisins, due to the start of the harvest in January. As well as having the second-highest quarterly growth, grapes and raisins were also the highest value export product from Cape Town in quarter 1, followed by refined petroleum and antiques. The highest value import was, again, refined petroleum

oil, making up 47% of total imports (R28,4 billion). Imports of this product are likely to increase as the clean-fuels policy (CF2) is set to take effect in September 2023, increasing the likelihood of local refineries becoming unprofitable. Citac estimates that only a third of South Africa's peak processing capacity will remain operating, increasing dependency on petrol imports (Fin24, 2022; BusinessTech, 2022c).

The value of exports, when compared to the same period in 2021, increased by 19,7%, while comparisons to the first quarter of 2019 (pre-Covid) saw 30,7% growth. The value of imports increased by 42,2% year-on-year and 38,2% when compared to the same period in 2019, to reach the highest quarterly levels on record.

FIGURE 12: CAPE TOWN'S TRADE BALANCE, 2018 Q1 TO 2022 Q1



Source: Quantec, 2022.

Cape Town's top 10 exports in the first quarter of 2022, shown in table 4, account for 44,6% of total exports. When compared to the first quarter of 2021, the largest year-on-year increase in the top 10 exports was for copper, followed by antiques, both of which are volatile trade categories from Cape Town. Coal exports, occasionally exported from Cape Town when demand and global prices are high, also experienced high growth. Prices of coal rose in March 2022 to reach 345 USD/T due to lower coal exports from Russia and China.

Seafood such as frozen fish (-16%), fish fillets (-8%), molluscs (-10%) and crustaceans (-16%) all experienced year-on-year declines above 8% in the first quarter of 2022. No other product in the top 10 categories, other than frozen fish, experienced declines. However, other categories such as wine and cigarettes did not make the top 10 exports for this quarter as they often do. Non-locally produced commodities with high global demand such as coal and copper ousted these products as the commodities boom continues.

TABLE 4: CAPE TOWN'S TOP 10 EXPORTS, 2022 Q1

CAPE TOWN'S TOP EXPORT CATEGORIES FOR 2022 Q1 (HS 4) ¹⁵	ZAR MILLION	% OF TOTAL EXPORTS	YEAR-ON-YEAR CHANGE (VS 2021 Q1)
Grapes and raisins	R3 309,93	12,7%	9,8%
Refined petroleum oils	R2 569,65	9,8%	44,4%
Antiques	R1 205,12	4,6%	940,6%
Coal and fuels made from coal	R1 088,14	4,2%	546,8%
Apples and pears	R778,47	3,0%	9,1%
Copper ores and concentrates	R674,98	2,6%	23 177,4%
Jewellery with precious metal	R579,06	2,2%	21,9%
Beauty and make-up	R513,41	2,0%	21,6%
Engine parts	R508,37	1,9%	20,1%
Frozen fish, excl. fillets	R439,95	1,7%	-16,2%
Total of top 10 export categories	R11 667,08	44,6%	
Total of ALL products	R26 133,61	100,0%	19,7%

Source: Quantec, own calculations, May 2022.

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

¹⁵ 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 since then. These trends thus impact significantly on the performance of passenger numbers in the quarter under review.

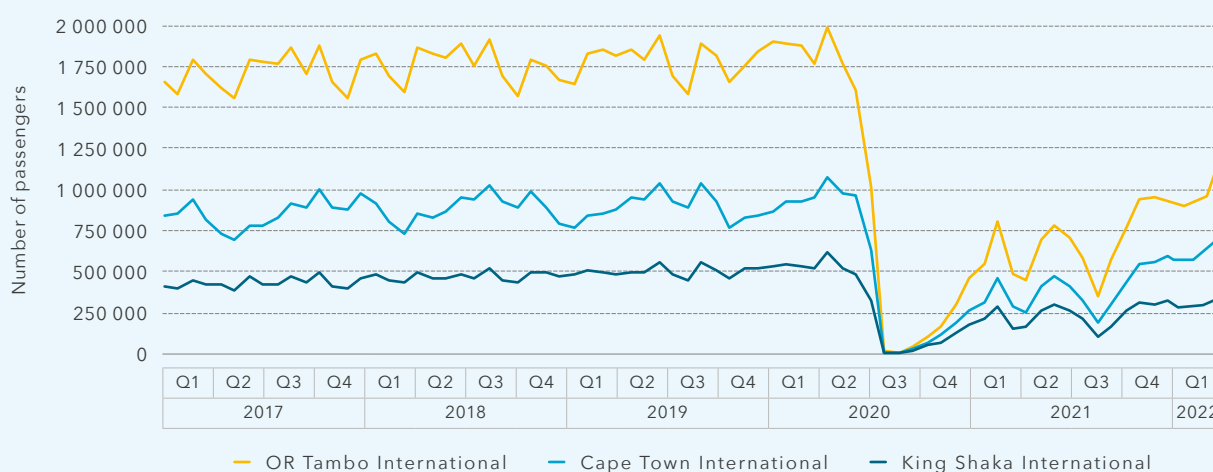
Cape Town International Airport is South Africa's second-busiest airport, after OR Tambo International Airport in Johannesburg. It recorded 1,9 million total passenger movements (arrivals and departures) in the first quarter of 2022, compared to 3,1 million passenger movements at OR Tambo International and 983 245 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 first quarter of 2022 all three international airports recorded positive year-on-year performances. Total passenger movements

at Cape Town International in the first quarter of 2022 increased by 99,8% year-on-year, representing a total of 942 956 more passenger movements than observed in the first quarter of 2021. OR Tambo International's total passenger movements saw a year-on-year increase of 88,0% (1 431 663) in the first quarter of 2022, while King Shaka International saw a year-on-year increase of 71,4% (409 677).

However, due to the significant disruption to air travel in 2020 and the subsequent low passenger movements, the year-on-year performances recorded remain relatively amplified, compared to pre-pandemic trends. It is therefore still worthwhile to compare the performance of the first quarter of 2022 to the same period in 2020.¹⁶ This reveals that air passenger movements remain, on average, 27,7% lower than pre-pandemic levels, which is illustrated in figure 13. The extent of this difference, however, may be impacted by the potentially lower number of travellers from countries that were already facing restricted travel.

FIGURE 13: TOTAL (MONTHLY) PASSENGER MOVEMENTS AT SOUTH AFRICA'S MAJOR AIRPORTS, 2017 Q1 TO 2022 Q1



Source: Airports Company South Africa, May 2022.

Despite the continued increase in air travel since the latter half of 2020, total passenger movements remain relatively low. Total passenger movements at Cape Town International in the first quarter of 2022 were 26,6% lower than in the first quarter of 2020. Similarly, passenger movements for OR Tambo and King Shaka International Airports were 30,5% and 25,9% lower, respectively, when compared to the same period in 2020. Indicative of seasonal trends, all three international airports recorded higher passenger movements when compared to the previous quarter. This

trend further corresponds with increased (or the resumption of) flight routes, and is encouraging for the sector's recovery.

The significantly low air passenger movements are also indicative of the lingering effects of the pandemic on the tourism sector. In the first quarter of 2022, only 21,1% of total passenger movements at South Africa's international airports constituted international arrivals, compared to 30,1% recorded in the first quarter of 2020. Despite the slow pace, this has seen improvements with every quarter since 2021.

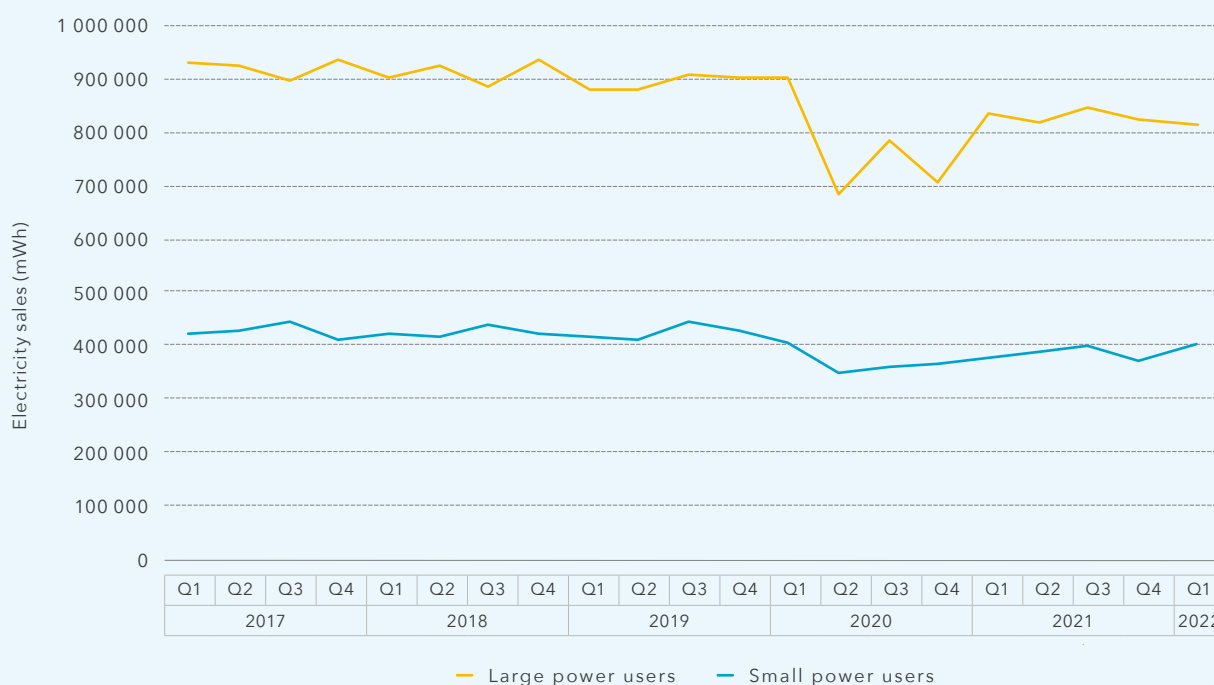
¹⁶ As South Africa's lockdown commenced on 15 March 2020, air travel in the first quarter of 2020 was not significantly impacted and can thus be compared as pre-pandemic activity levels.

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, electricity consumption recorded a sharp decline in April 2020, corresponding to the introduction of the nationwide lockdown towards the end of March 2020 and the subsequent lower economic activity as businesses were limited in their operations. Electricity sales also continue to be dampened by load-shedding.

FIGURE 14: CAPE TOWN'S COMMERCIAL ELECTRICITY USAGE, 2017 Q1 TO 2022 Q1



Source: Electricity Generation and Distribution, CCT, June 2022.

Following a decrease in the previous quarter, electricity sales to LPUs declined further by 0,4% in the first quarter of 2022 on a quarter-on-quarter basis. Load-shedding, which has continued to plague the country, is likely to have contributed to this decrease. On the other hand, SPUs seem to have adapted to load-shedding, with the City's electricity sales to them increasing by 5,2% quarter-on-quarter.

Electricity sales to LPUs in the first quarter of 2022 were also lower than in the corresponding period in 2021. LPUs recorded a decrease in electricity sales of 1,8% year-on-year, while electricity sales to SPUs grew by 4,8% year-on-year. Growth in combined electricity sales to commercial and industrial users in the first quarter of 2022 is indicative of increased manufacturing activity in Cape Town and signals that the economy is continuing to recover from the negative impact of the Covid-19 pandemic.

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, 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,¹⁷ Cape Town Tourism (CTT, 2021) has resumed survey activity for the local accommodation sector, and most recently bolstering it through collaborating with the Federated Hospitality Association of South Africa (FEDHASA). Where its previous surveys recorded an average of around 100 responses per month prior to the pandemic, its Cape Town Accommodation Performance Reviews covering the period February to March 2022 had an average response rate of 50 tourism accommodation establishments, of which the majority are based in the Cape Town metropolitan area.

Despite data and reporting limitations, there are indications of improvement within the tourism sector. For February and March 2022, the surveyed establishments recorded an average occupancy rate of 64,3%. While this remains lower than the 76,2% recorded in the first quarter of 2020, it is an improvement from the previous, indicative of the sector's pre-pandemic trends. Similarly, while the average room rate and revenue per room rate remains

lower in the first quarter of 2022 than the same period in 2020, it continues to improve and follow pre-pandemic seasonal trends.

Demand for accommodation during the first quarter of 2022 continued to be driven by the domestic market (CTT, 2022a; CTT, 2022b). This aligns with the Mastercard Economics Institute's findings that "domestic travel choices still lead among consumers in Eastern Europe, Middle East and Africa" (ZAWYA, 2022).

Following lockdown-induced closures in March 2020, Cape Town's five major tourist attractions¹⁸ resumed operations from the third quarter of 2020. As the tourism sector faces a slow recovery, this is further evident in visitor numbers. During the first quarter of 2022, these attractions recorded a total of 193 548 visitor numbers. Interestingly, this quarter's performance recorded 36,3% lower than the same period in 2021, while also remaining 82,3% lower than pre-pandemic levels of the first quarter of 2020.

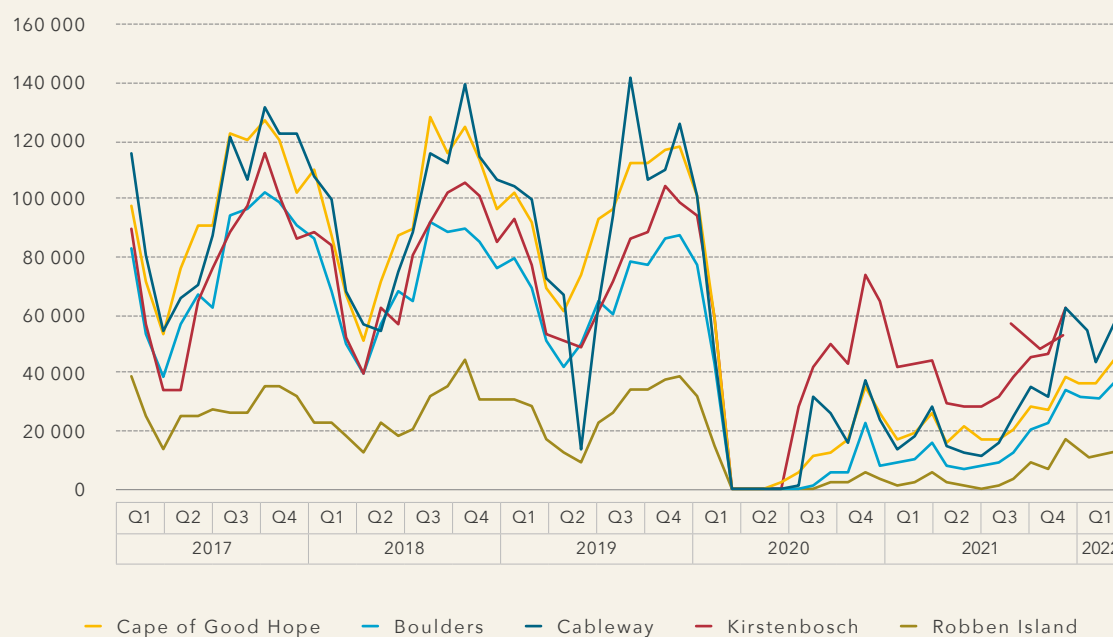
In the first quarter of 2022, Kirstenbosch National Botanical Gardens recorded the highest number of visits (57 922). Unfortunately, this recording meant the attraction recorded the worst year-on-year performance (-61,4%) among the list. This was followed by Table Mountain Aerial Cableway, which recorded 56 592 visitor numbers in the first quarter of 2022, however, alongside year-on-year growth of 2,4%. The Cape of Good Hope recorded visitor numbers of 34 919, a year-on-year decline of 44,7%, and Boulders Beach 30 676, which recorded year-on-year growth of 9,4%. Robben Island recorded 13 439 visitor numbers in the first quarter of 2022. Despite it recording the highest year-on-year growth, this is largely attributed to the relatively low base numbers.



¹⁷ As most accommodation establishments were closed or greatly restricted in their services and/or clientele during the respective lockdown levels, Cape Town Tourism thus could/did not conduct their [otherwise] monthly accommodation survey.

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

FIGURE 15: TOTAL (MONTHLY) VISITS TO THE TOP FIVE TOURIST DESTINATIONS OF CAPE TOWN, 2017 Q1 TO 2022 Q1



Source: Wesgro, May 2022.

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 include Cape Town's winter

months. Traditionally, due to seasonality, visitor numbers taper during the first quarter as the conventional holiday period ends. While visitor numbers remain lower than pre-pandemic levels, the first quarter of 2022 reveals a continuation of this seasonal trend.



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.

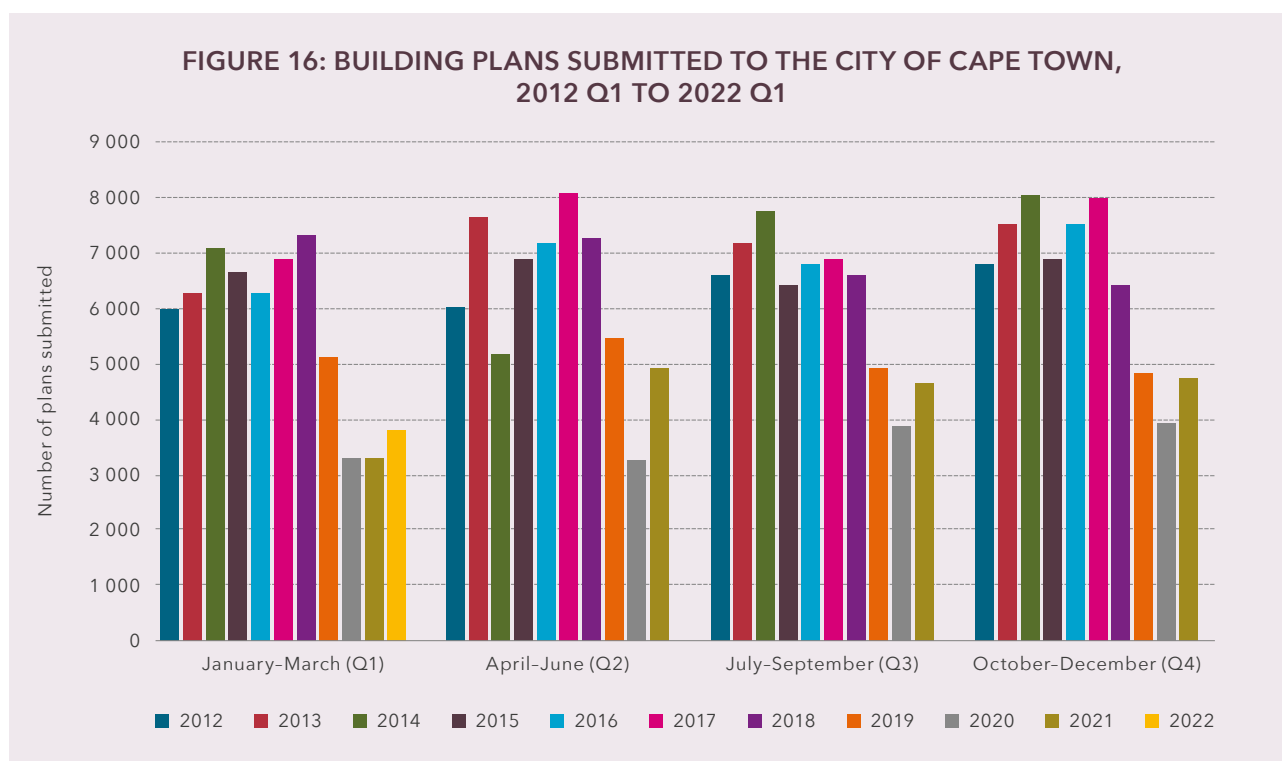
BUILDING DEVELOPMENTS

The economic growth data for the first quarter of 2022 show that national output in the construction industry declined by 2,7% quarter-on-quarter. As the fourth consecutive quarterly contraction, this highlights the sector's struggle to maintain its recovery momentum since its significant decline in the second quarter of 2020 as a result of the nationwide lockdown. Similarly, the sector recorded a year-on-year contraction of 5,8% in the first quarter of 2022. The Western Cape's construction industry mirrored these national trends, recording a quarter-on-quarter contraction of 2,5%, and a year-on-year contraction of 5,7% in the first quarter of 2022 (Quantec, 2022).

Since recovering from reaching an all-time low of 4 index points in the second quarter of 2020, the First National Bank (FNB)/BER Building Confidence Index (BCI)¹⁹ made positive gains of 6 index points in the first quarter of 2022 to record 40 index points. This improvement is underpinned by notable improvements in sentiment among building material manufacturers and building sub-contractors. While sentiments remain positive for

the continued recovery of the sector, FNB notes that more sustained improvement requires increased demand for new buildings, which remains weak (BER, 2022e). The improved sentiment embedded in the BCI is further evident in some of the City's building plans data. For the first quarter of 2022, additions and alterations, and minor works, constituted a combined 52% of the value of total completions, corresponding with 76% of total number of projects completed.

The tenuous state of the sector, however, can be drawn from the number of building plans submitted to the City for approval, which totalled 3 829 in the first quarter of 2022. While this represents a year-on-year improvement of 16,6% when compared to the first quarter of 2021, as well as 15,9% when compared to first quarter of 2020, it remains fairly muted against levels prior to 2019. Figure 16 provides an annual comparison of the number of building plans submitted in each of the quarters over the past 10 years. This allows for seasonal volatility when analysing the long-term trends in the building and construction industry.



Source: Planning and Building Development Management Department, CCT, May 2022.

¹⁹ 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 16,2% (2 188 units), recording 15 720 units sold in the first quarter of 2022, compared to 13 532 units sold in the fourth quarter of 2021. On a year-on-year basis, vehicle sales experienced an increase of 26,9% (3 335 units) from 12 385 vehicles sold in the same period of 2021. Passenger vehicle sales in the Western Cape, which represents the private consumer segment of the market, increased from 9 388 vehicles in the fourth quarter of 2021 to 11 176 vehicles in the first quarter of 2022. The year-on-year results showed an increase of 38,6% (3 112 units) from 8 064 vehicles sold in the first quarter of 2022. At a national level, passenger vehicle sales reported a year-on-year increase of 26,0% (18 917 units), increasing from 72 677 units in the first quarter of 2021 to 91 594 units in the first quarter of 2022.

This positive performance can be attributed to increasing demand due to some improvements in the business conditions, as well as attractive new model choices in the local vehicle market. In addition, the temporary reduction in the general fuel levy to control fuel prices, to some extent, and other relief measures to follow as announced by National Treasury, have positively impacted the automotive industry (NAAMSA, 2022).

TransUnion's Vehicle Pricing Index (VPI) report shows that new passenger vehicle finance deals increased by 23,7% on a year-on-year basis in the first quarter of 2022, while it increased by 14,2% for used passenger vehicles. The used-to-new ratio decreased from 2,41 in the first quarter of 2021 to 2,18 in the first quarter of 2022. The VPI²⁰ for new vehicles decreased significantly to 4,0% in the first quarter of 2022 from 8,8% in the same period in 2021.

The VPI for used vehicles continued to increase from 3,7% in the first quarter of 2021 to 7,9% in the first quarter of 2022. This significant increase is influenced by a limited stock of quality used vehicles as consumers continue to face increased pressure on disposable income (Reddy, 2022).

NAAMSA forecasts that escalating inflation risks, the ongoing fuel prices hikes, stagnant economic growth and the rising interest rate cycle will negatively affect the vehicle market (NAAMSA, 2022). In addition, factors such as the renewed impact of Covid-19, in particular in China, the prevailing global shortage of semi-conductors and the added shock of the flooding disaster in parts of KwaZulu-Natal are expected to severely impact the vehicle market (IOL, 2022). The Russia-Ukraine war will also have a real impact on the country's car market as Ukraine manufactures a majority of Europe's wiring components, and due to the conflict, those components are either not being produced or cannot be exported. Furthermore, Russia is the main supplier of many of metals required in car manufacturing such as aluminium, palladium and nickel, which have been recording price increases prior to the invasion (BusinessTech, 2022d).

The rise in prices of inputs will increase manufacturers' production costs and will unfavourably impact European car brands, while some Asian car brands might not be impacted. Price increases, shortages in car components and logistic issues will impact the country's top-selling luxury brands, resulting in a rapid transformation of the local automotive landscape towards Asian car brands as both affordability and availability are becoming increasingly essential (BusinessTech, 2022d).

²⁰ 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
CPPI:	Container Port Performance 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
USD/US\$:	United States dollar
USD/T:	United States dollar per tonne
VPI:	Vehicle Pricing Index
WC:	Western Cape
ZAR:	South African rand

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