



CITY OF CAPE TOWN
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INVEST CAPE TOWN

Economic Performance Indicators for Cape Town



EPIC

2023 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. It presents an analysis of economic and related trends in Cape Town on a quarterly basis. This edition focuses on the first quarter of 2023, covering the period from 1 January to 31 March 2023.

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FOREWORD

While South Africa began 2023 with unprecedented levels of load-shedding, the City of Cape Town continued to roll out projects that will help to reduce, and eventually end, the scheduled power outages in the metro over time. In January, the City shared that it can now pay cash for power fed into the local electricity grid. Businesses, and in time residents, will receive cash for selling their excess power into Cape Town's grid.

It is important to note that while this energy crisis is challenging, it also presents us, as Capetonians, with an opportunity to expand our renewable energy market. Given that South Africa is home to some of the best wind and solar energy resources globally, this is an industry we should be diving into headfirst.

This high-potential renewable energy sector also offers significant potential for job creation and sustainable investments into South Africa. One report has shown that the solar PV industry alone could create up to 30 000 jobs per year. This is why it gave me great joy to officiate at the recent launch in Cape Town of Ener-G-Africa (EGA), Africa's first all-female workforce solar panel manufacturer. The Ndabeni plant will produce around 20 MW in solar panels per annum. The City of Cape Town's strategic business partner, GreenCape, helped to facilitate

this R36 million investment. The Economic Growth Directorate provides funding to GreenCape to help the City attract investors in the green economy sector, while unlocking the potential of this industry in various fields.

Turning to tourism, Cape Town continued to enjoy a high influx of travellers, with inbound air travel between January and March 2023 from key source markets in Europe and North America surpassing figures for the same period in 2019. Work is already underway to unlock greater gains for this industry and its affiliates through City programmes focusing on aviation, cruise tourism, events, and destination marketing.

We also hit the ground running with our suite of SMME support programmes, including the Supplier Matters workshop series and construction industry training workshops for contractors, scheduled to take place every month at the hub. It is gratifying to witness people take up the opportunities provided through our skills development workshops and workplace development programmes and use these to unlock their full professional potential.

It's also clear that the City's mission to create a pro-business environment is making an impact in the

metro, where 1,7 million people engaged in gainful employment during the first quarter of 2023. This is the highest recording of employment in Cape Town in at least 15 years.

Our goal as a municipal government is to make Cape Town the easiest place in Africa to do business and to create the foundations for growth – for both jobs and investment. The rising employment rate and booming investments are evidence that we are hitting our target.

In 2023, we will push ahead with actions to create continued confidence in our local economy.

For updates on programmes, events or workshops, visit investcapetown.com.



Alderman James Vos
Mayoral Committee Member
for Economic Growth

CONTENTS

ACKNOWLEDGEMENTS	02
FOREWORD	03
INTRODUCTION	07
KEY FINDINGS FOR THE FIRST QUARTER OF 2023	08

01. OVERVIEW	09
02. ECONOMIC GROWTH	15
South Africa's quarter-on-quarter economic performance	17
A global comparison of economic performance	19
Western Cape and Cape Town economic performance	20
03. INFLATION	23
Inflation overview	25
Geographical inflation	26
Western Cape food inflation	28
04. LABOUR MARKET	29
Cape Town's labour market performance	31
Employment comparison of metros	32
Unemployment in Cape Town	33
Sector employment trends for Cape Town	34
05. INFRASTRUCTURE AND TRADE	35
Container traffic	37
Cape Town trade	40
Airport statistics	43
Commercial and industrial electricity usage	44
06. TOURISM	45
07. ADDITIONAL INDICATORS	49
Building developments	51
New vehicle sales	54

REFERENCE LIST	55
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ABBREVIATIONS	57
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LIST OF TABLES

Table 1: Western Cape's sectoral economic activity levels, 2020 Q1 to 2023 Q1, compared to pre-Covid-19 pandemic (i.e. 2019 Q4)	22
Table 2: Cape Town labour market indicators, 2023 Q1 versus 2022 Q4 and 2022 Q1	31
Table 3: Unemployment rate comparison of metros, 2023 Q1 versus 2022 Q4 and 2022 Q1	33
Table 4: Comparison of total containers handled (in TEUs), 2023 Q1 versus 2022 Q4 and 2022 Q1	38
Table 5: Cape Town's top 10 exports, 2023 Q1	41

LIST OF FIGURES

Figure 1: South Africa's real GDP (constant 2015 prices, seasonally adjusted), 2015 Q1 to 2023 Q1	17
Figure 2: Real GGP growth for the Western Cape, 2012 Q1 to 2023 Q1	20
Figure 3: Sectoral real GDP-R growth rates in the Western Cape and South Africa, 2023 Q1	21
Figure 4: CPI and PPI trends for South Africa, January 2018 to March 2023	25
Figure 5: CPI inflation rate at a provincial level, January to March 2023	26
Figure 6: Average consumer price inflation for the Western Cape and South Africa, 2023 Q1	27
Figure 7: Western Cape food price inflation, 2019 Q1 to 2023 Q1	28
Figure 8: Employment comparison with other metros by major sector, 2023 Q1 versus 2022 Q4	32
Figure 9: Quarterly and annual change in employment per sector for Cape Town, 2023 Q1	34
Figure 10: Total containers handled (nationally), 2017 Q1 to 2023 Q1	37
Figure 11: Annual change in full TEUs handled at the Port of Cape Town, 2017 Q1 to 2023 Q1	38
Figure 12: Cape Town's trade balance, 2018 Q1 to 2023 Q1	40
Figure 13: Total (monthly) passenger movements at South Africa's major airports, 2017 Q1 to 2023 Q1	43
Figure 14: Cape Town's commercial electricity usage, 2017 Q1 to 2023 Q1	44
Figure 15: Total (monthly) visits to the top five tourist destinations of Cape Town, 2017 Q1 to 2023 Q1	48
Figure 16: Building plans submitted to the City of Cape Town, 2013 Q1 to 2023 Q1	51

INTRODUCTION

In this 40th 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 2023, covering the period 1 January to 31 March 2023.

The GDP in the Western Cape, a proxy for GDP in Cape Town, experienced a non-annualised quarterly increase (quarter-on-quarter) of 0,3% in the first quarter of 2023, only narrowly avoiding a technical recession after negative growth in quarter 4. Western Cape year-on-year growth in quarter 1 was also positive, chugging along at a low 0,4%. Load-shedding continues to dampen growth, with the BER recording that January and February saw tenfold increases in load-shedding levels year-on-year. As expected, the City's supply of electricity to small and large power users saw significant decreases in quarter 1, with double digit year-on-year declines. Although the manufacturing sector in the province grew by 1,8% (quarter-on-quarter), the sector has yet to recover to pre-Covid-19 levels. Other factors, apart from extensive load-shedding, that have contributed to low growth include a weaker exchange rate, higher inflation and higher global and national interest rates and uncertainty.

The sectors that contributed most to the increase in GDP in the first quarter were manufacturing as well as transport and communications. These two sectors were among the seven to experience positive quarterly growth in the Western Cape, with agriculture, electricity and water, and mining being the only sectors to experience no growth or negative growth. Although this has been the third consecutive quarter where Western Cape GDP has remained above pre-Covid-19 levels, the pace of growth remains slow. In the first quarter of 2023, finance and business services, transport and communications, agriculture, and community

services were the only sectors to outperform their pre-pandemic levels. Six sectors remain below pre-pandemic levels, with construction, manufacturing, and trade and hospitality lagging the most in their respective comparisons to quarter 4 of 2019. The stop-start recovery of economic output, particularly in the manufacturing sector, will be hard to overcome without businesses mitigating against load-shedding, which drives up their costs of production.

Growth was also seen in the Cape Town labour market, with the Quarterly Labour Force Survey (QLFS) recording the highest levels of employment to date, totalling 1,7 million people. This represents the fourth consecutive quarter of positive employment growth for the city. Unemployment rates continued to improve, with the broad rate declining by 0,9 percentage points from the fourth quarter of 2022 to 26% in the first quarter of 2023, almost reaching rates experienced before the pandemic. Although employment levels increased, so too did the level of discouraged work seekers in the city. This speaks to a perceived lack of work opportunities and an increase in the cost of searching for a job in the current low-growth environment. Increases in employment were driven foremost by trade, hotels and restaurants, and the community, social and other personal services sectors, followed by private households. Some of this employment growth can be attributed to the recovery of the tourism sector, particularly the full recovery and return of international visitors, as seen in the airport arrival data.

Inflation in the Western Cape in the first quarter of 2023 remained above the SARB upper-inflation limit of 6% at an average rate of 7% for the quarter. This high inflation rate is largely attributed to higher food and beverage prices as well as higher transport costs. Local food price inflation remains high despite global food prices falling in dollar terms, in part due to the

impact of the weaker exchange rate. The increases across all food groups also speak to the nature of the inflationary drivers. The food inflation seems to be driven by transport costs and load-shedding mitigation costs rather than international commodity prices. The Monetary Policy Committee (MPC) responded to the increase in CPI by raising the repo rate by 50 basis points in March to 7,75%. Taking the current hiking cycle into account, the MPC expects that inflation will only revert to the mid-point of the target range by the fourth quarter of 2024, continuing the financial strain on households.

Along with the weight of severe load-shedding in quarter 1, there continues to be other economic constraints such as sticky inflation, slow growth and global financial stability risks. These factors, coupled with tough global economic conditions and a weaker rand, contributed to the decline in both business and consumer confidence levels in quarter 1. Although low growth is expected to continue, it is promising to see the continued recovery of employment levels in the city as well as the influx of international tourists over the high season.

In an effort to restore confidence and build hope, Mayor Geordin Hill-Lewis presented the City's draft budget for the financial year 2023/24 of R69,9 billion in March 2023. The budget outlined a R2,3 billion commitment to mitigate load-shedding over the next three years. The budget also provides for large infrastructure investments, stimulating confidence in the struggling construction sector. In times of low growth, the City needs to ensure that business enablers and confidence levels are gaining momentum towards future growth.

Jodie Posen

Senior Economist: Economic Analysis

KEY FINDINGS FOR THE FIRST QUARTER OF 2023

In the first quarter of 2023, the **South African economy** grew by 0,4% quarter-on-quarter (non-annualised), avoiding a technical recession. The highest sectoral growth rate was recorded in the manufacturing sector, while the biggest contributors to the total national growth rate were the manufacturing, finance, and business services sectors. Only the agriculture and electricity and water sectors recorded contractions during the quarter.

The Western Cape recorded an **inflation rate** of 7,1% at the end of the first quarter, which is an increase from the 6,9% at the end of the previous quarter. The national inflation rate at the end of the first quarter was the same as that of the Western Cape, at 7,1%.

The number of people **employed** in Cape Town increased by 40 276 on a quarter-on-quarter basis to a total of 1,7 million in the first quarter of 2023. Compared to the previous quarter, the main contributors to employment during the period were the trade and hospitality (+27 261) and community and personal services (+19 213) sectors.

Four of Cape Town's top five **tourist attractions** reported on in this edition recorded a total of 803 401 visitor numbers in the first quarter of 2023. This represents a year-on-year improvement of 95%.

Accommodation establishments in Cape Town recorded an average **occupancy rate** of 79,8% in the first quarter. The domestic tourism market remains a dominant source of business for the sector.

Cape Town International Airport recorded 2,4 million **air passenger movements** in the first quarter of 2023. This is 15,5% lower than the same period in 2019.

On a quarter-on-quarter basis, Cape Town's [international] **trade** recorded a decrease in **exports** and **imports** in the first quarter. Exports were mainly led by refined petroleum as well as grapes. On a year-on-year basis, first quarter exports recorded an increase of 4,3% from the levels in the first quarter of 2022.

01





OVERVIEW

CAPE TOWN OVERVIEW 2023: QUARTER 1

GROSS DOMESTIC PRODUCT (GDP)

The **Western Cape** accounted for **R654 billion^a** of the **R4,6 trillion** gross domestic product (GDP) generated by **South Africa** in the first quarter of 2023. While GDP data are not available at a city level on a quarterly basis, **Cape Town** typically contributes around **71%** of the provincial GDP annually.^b

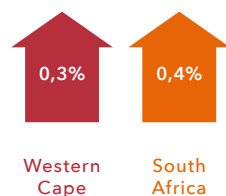


^a At constant 2015 prices, seasonally adjusted and non-annualised. Sources: Quantec, 2023; Statistics South Africa, 2023.

^b Source: South Africa Regional eXplorer, 2023.

GDP GROWTH RATE

During the first quarter of 2023, the **Western Cape** rebounded with growth of **0,3%**. This was in line with the **national** GDP growth of **0,4%**.^c



^c At constant 2015 prices, seasonally adjusted and non-annualised. Sources: Quantec, 2023; Statistics South Africa, 2023.

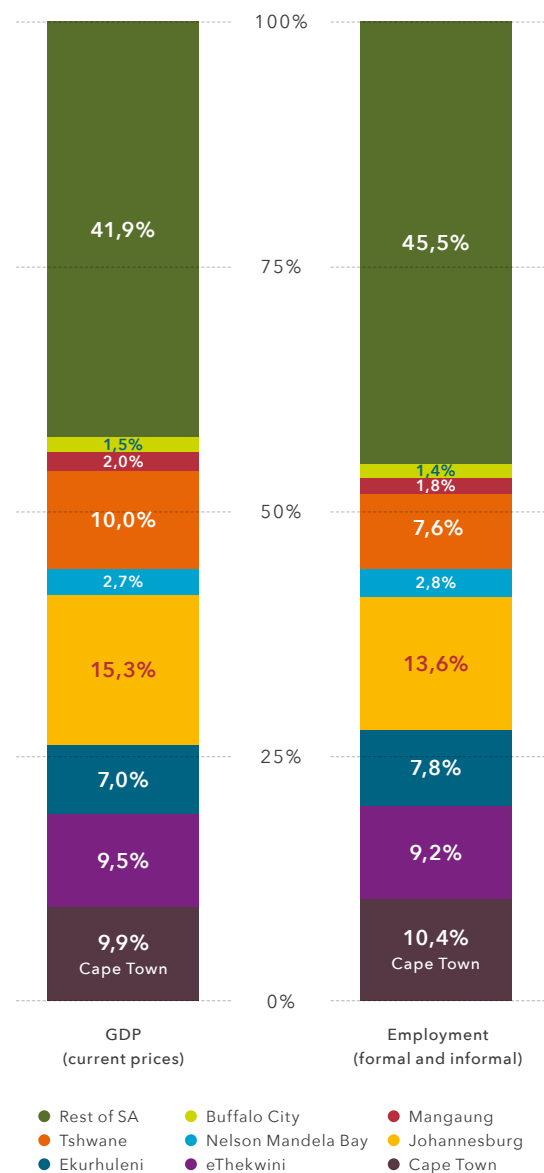
GDP PER CAPITA

In 2022, **South Africa** had a **GDP per capita** of **R108 626**, while the **Western Cape's** GDP per capita was **R129 823** and **Cape Town's** was **R144 857**.^d



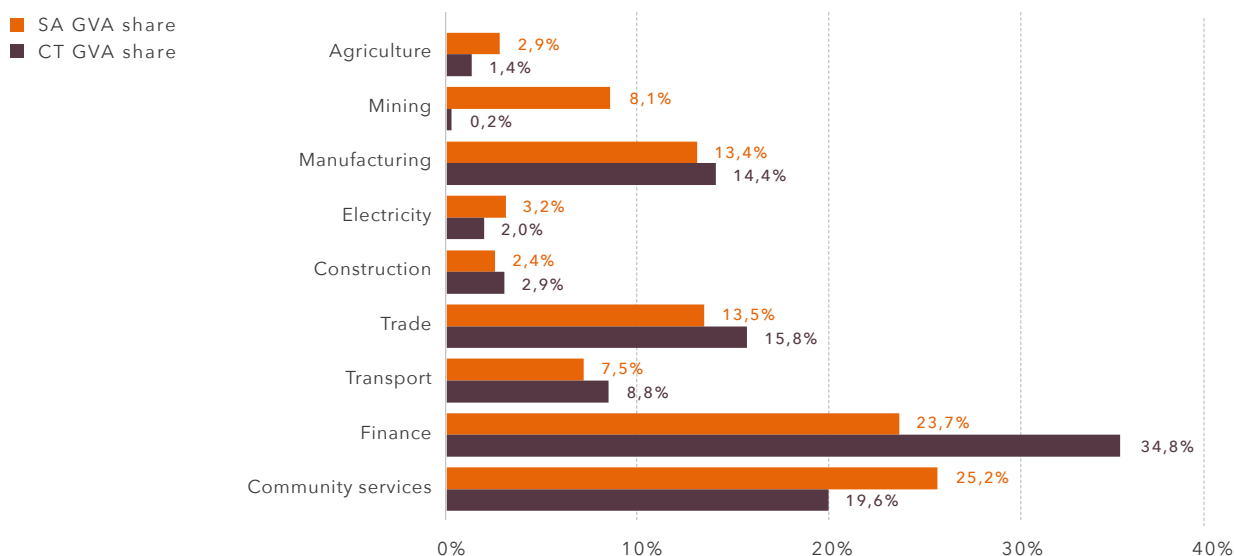
^d At current prices. Source: South Africa Regional eXplorer, 2023.

CAPE TOWN GROSS GEOGRAPHIC PRODUCT AND EMPLOYMENT CONTRIBUTIONS TO SOUTH AFRICA, 2022^e



^e At current prices. Source: South Africa Regional eXplorer, 2023.

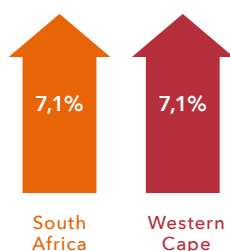
SECTORAL GROSS VALUE ADDED (GVA) SHARES, CAPE TOWN VERSUS NATIONAL 2022^f



^f At current prices. Source: South Africa Regional eXplorer, 2023.

INFLATION

At the end of the first quarter of 2023, **South Africa** had an inflation rate of **7,1%**. The **Western Cape's** inflation rate for the same period was **7,1%**.^g



^g Source: Statistics South Africa, 2023.

POPULATION

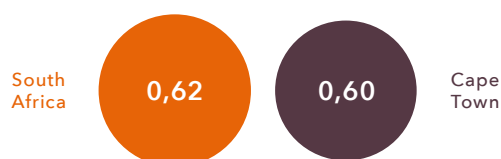
South Africa has a population of **60 142 978**. A total of **7 113 776** people (11,8% of the national population) live in the **Western Cape**. Of those, **4 678 900** are residents of **Cape Town**.^h



^h Source: City of Cape Town, 2022a.

GINI COEFFICIENT

In 2022, **South Africa** had a Gini coefficient of **0,62**, while **Cape Town** had a slightly lower value of **0,60**.ⁱ



ⁱ Source: South Africa Regional eXplorer, 2023.

VISITOR ATTRACTIONS

In the first quarter of 2023, tourists and residents made **803 401** visits to **Cape Town's** four major attractions reported on.^j



^j No data available for Kirstenbosch National Botanical Gardens for 2023 Q1. Source: Wesgro, 2023.

AIR PASSENGER MOVEMENTS

2 419 515 passengers moved through **Cape Town International Airport** during the first quarter of 2023.^k

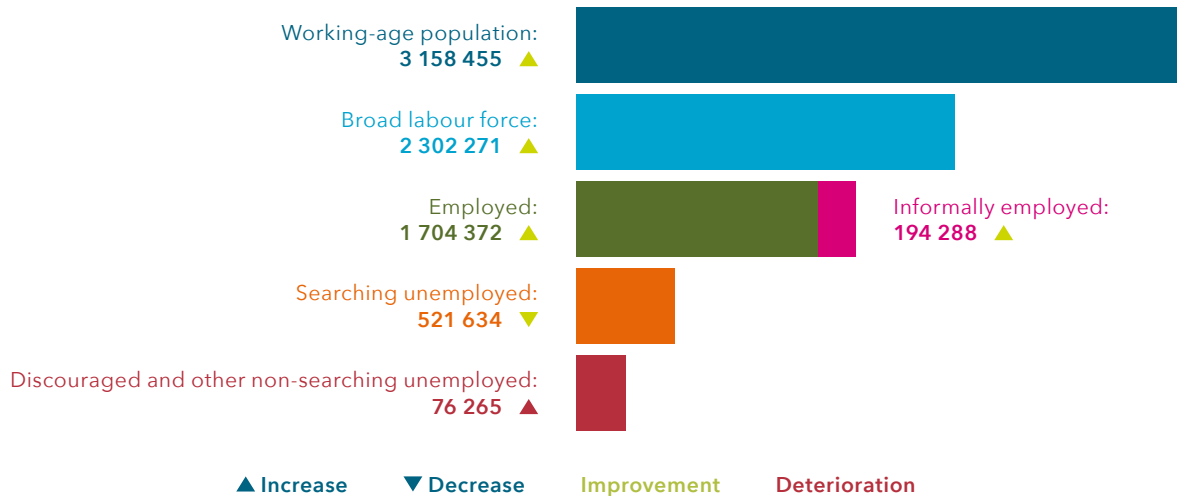


^k Source: ACSA, 2023.

LABOUR OVERVIEW

2023: QUARTER 1

LABOUR MARKET INDICATORS, 2023 Q1 (QUARTER-ON-QUARTER CHANGES)

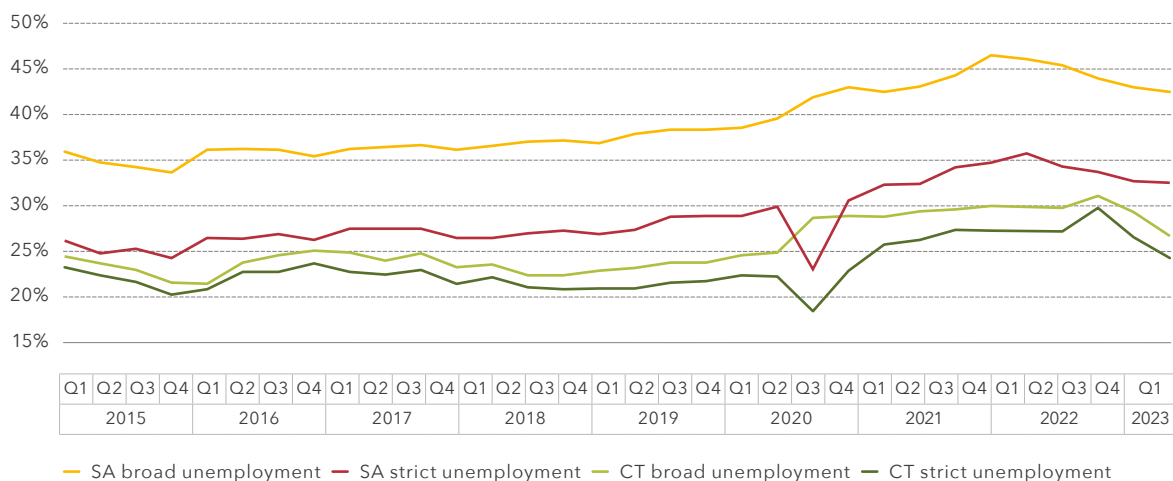


Labour force participation rate (strict) = 70,5%

Absorption rate = 54,9%

Source: Statistics South Africa, Quarterly Labour Force Survey, 2023 Quarter 1, May 2023.

STRICT VERSUS BROAD UNEMPLOYMENT RATES FOR SOUTH AFRICA AND CAPE TOWN, 2015 Q1 TO 2023 Q1¹



Source: Statistics South Africa, Quarterly Labour Force Survey, 2023 Quarter 1, May 2023.

¹ 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.

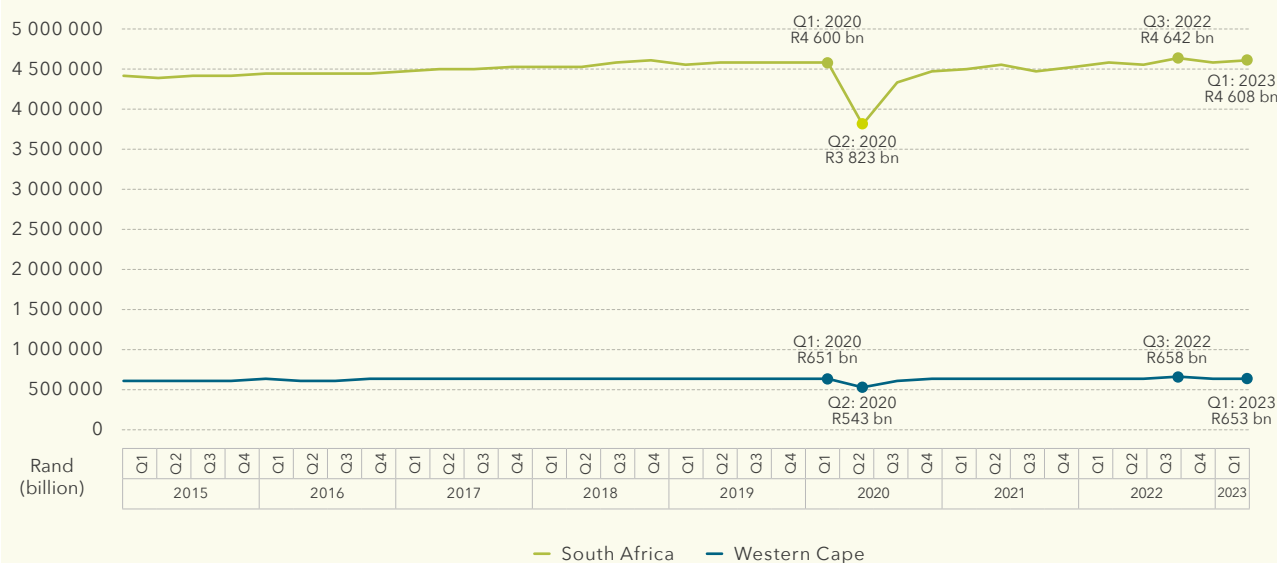
SOUTH AFRICA'S QUARTER-ON-QUARTER ECONOMIC PERFORMANCE

After contracting in the previous quarter with -1,1% growth (which was upwardly revised by 0,2 of a percentage point), the South African economy rebounded with 0,4% quarter-on-quarter growth in the first quarter of 2023 (non-annualised, as per the change in Stats SA's reporting conventions).² This represents an improvement of 1,5 percentage points from the previous quarter. The first quarter's performance was in line with

both the Bloomberg consensus view of 0,3% and the Bureau for Economic Research's (BER) projection of 0,4%.

While the economy avoided a technical recession, the BER notes that "underlying weakness and lack of momentum" remain concerning, indicated by the low year-on-year growth rate recording of only 0,2% (BER, 2023a).

FIGURE 1: SOUTH AFRICA AND THE WESTERN CAPE'S REAL GDP (CONSTANT 2015 PRICES, SEASONALLY ADJUSTED), JANUARY 2015 TO MARCH 2023



Source: Quantec, 2023

At the national level, the majority of sectors (eight) recorded growth in the first quarter of 2023. Of these, the largest sectoral growth was recorded in the manufacturing sector, which grew by 1,5% quarter-on-quarter and added the most to the total national growth rate (0,2 of a percentage point). This was followed by the transport and communication, and construction sectors, each recording 1,1% growth and adding 0,1 percentage points to the total national growth rate. Further positive growth was recorded in mining (0,9%), personal services (0,8%), trade

and hospitality (0,7%), finance, real estate and business services (0,6%), as well as general government (0,2%). The finance, real estate and business services sector was also one of the largest contributors to the total national growth rate, adding 0,2 of a percentage point.

For the first quarter of 2023, only two sectors recorded contractions. The agriculture sector recorded the largest contraction (-12,3%) and subtracted 0,4 of a percentage point from the total national growth rate. The electricity and water sector contracted by 1,0%.

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 (Statistics South Africa, 2021).

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 a further 2 index points to 36 in the first quarter of 2023. According to RMB (BER, 2023b), sentiment within the manufacturing and consumer-facing retail sectors worsened the most, which is attributed to the intensified load-shedding during the period under review. While sentiment improved slightly in the wholesaler and new vehicle dealer segments, these still remain below 50 index points, reflecting lingering unhappiness with prevailing business conditions. Similarly, the FNB/BER Consumer Confidence Index remains significantly low. Despite notable improvement to -8 index points in the fourth quarter of 2022, the FNB/BER Consumer Confidence Index dropped significantly to record -23 index points in the first quarter of 2023, its third-lowest reading since 1994. Underpinned by declines in all of its sub-sectors,

the low index reading highlights "extreme concern among consumers about South Africa's economic prospects and their household finances" (BER, 2023c).

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. Following improvements throughout the previous quarter, with 53,1 index points recorded in December, the Absa PMI declined in the first quarter of 2023. The index remained almost unchanged at 53,0 points in January and then declined with recordings of 48,8 points in February and 48,1 index points in March 2023. Notable negative contributors include the intensified load-shedding, which dampened business activity and manufacturing, and notably local demand, while export sales were noted with some, albeit minimal, improvements in the quarter (BER, 2023d).



A GLOBAL COMPARISON OF ECONOMIC PERFORMANCE

After entering 2022 in a weaker-than-expected position (IMF, 2022a), followed by a multitude of setbacks (IMF, 2022b), global recovery prospects appear to have returned once again. In its latest [April] World Economic Outlook (WEO), the IMF (2023a) notes that in addition to recovering from the lingering impacts of the Covid-19 pandemic and Russia-Ukraine war, supply chain disruptions have started “unwinding”. China’s economy is also rebounding after the country reopened. Following global growth of 3,4% for 2022, the IMF estimates it to be 2,8% for 2023, a slight downward revision of 0,1 of a percentage point from its last [January] forecast, indicative of prevailing risks. Similarly, the IMF’s forecast for 2024 was also revised downward by 0,1 of a percentage point, with an expectation for growth of 3,0%.

For 2022, the IMF recorded growth of 2,7% for advanced economies. Estimates for 2023 have been revised upward to 1,3% growth for advanced economies (+0,1 of a percentage point), with an unchanged expectation of 1,4% growth in 2024. Similarly, following recorded growth of 4,0% in 2022, the IMF’s expected growth of 3,9% for emerging and developing economies for 2023 was also downwardly revised (by 0,1 of a percentage point), while the forecast for 2024 growth remains unchanged at 4,2%. Alongside South Africa’s annual growth of 2,0% recorded for 2022, the latest forecast includes a notable downward revision by 1,1 percentage points, expecting growth of only 0,1% for 2023. This, however, is expected to be short lived, with growth for the country expected to bounce back in 2024 with an upwardly revised 1,8% growth figure (+0,5 of a percentage point).

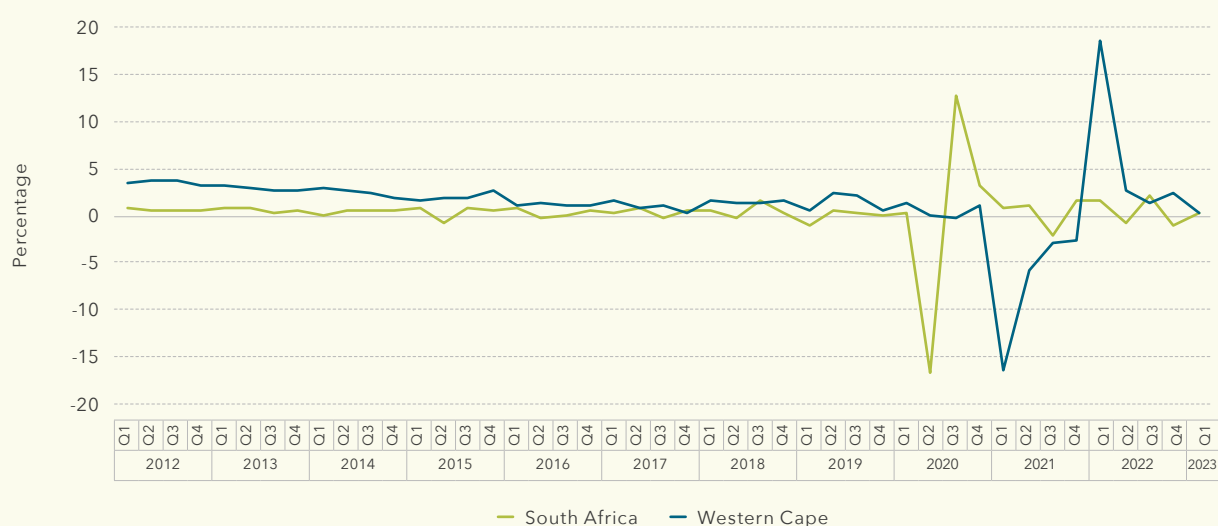


WESTERN CAPE AND CAPE TOWN ECONOMIC PERFORMANCE

The Western Cape economy contributes around 14% of South Africa's gross domestic product (GDP). In line with the national economy's performance (0,4%), the Western Cape economy recorded [non-annualised] growth of 0,3% quarter-on-quarter for the first quarter of 2023, narrowly avoiding a technical recession.

The year-on-year data for the Western Cape indicate a similar performance to that of the country as a whole. Despite a notable improvement in the previous quarter [to above 2%], the year-on-year performance at both national and provincial levels deteriorated in the first quarter of 2023. South Africa experienced year-on-year growth of 0,2%, while the Western Cape economy recorded year-on-year growth of 0,4% in that period.

FIGURE 2: REAL GDP GROWTH FOR THE WESTERN CAPE, JANUARY 2011 TO MARCH 2023



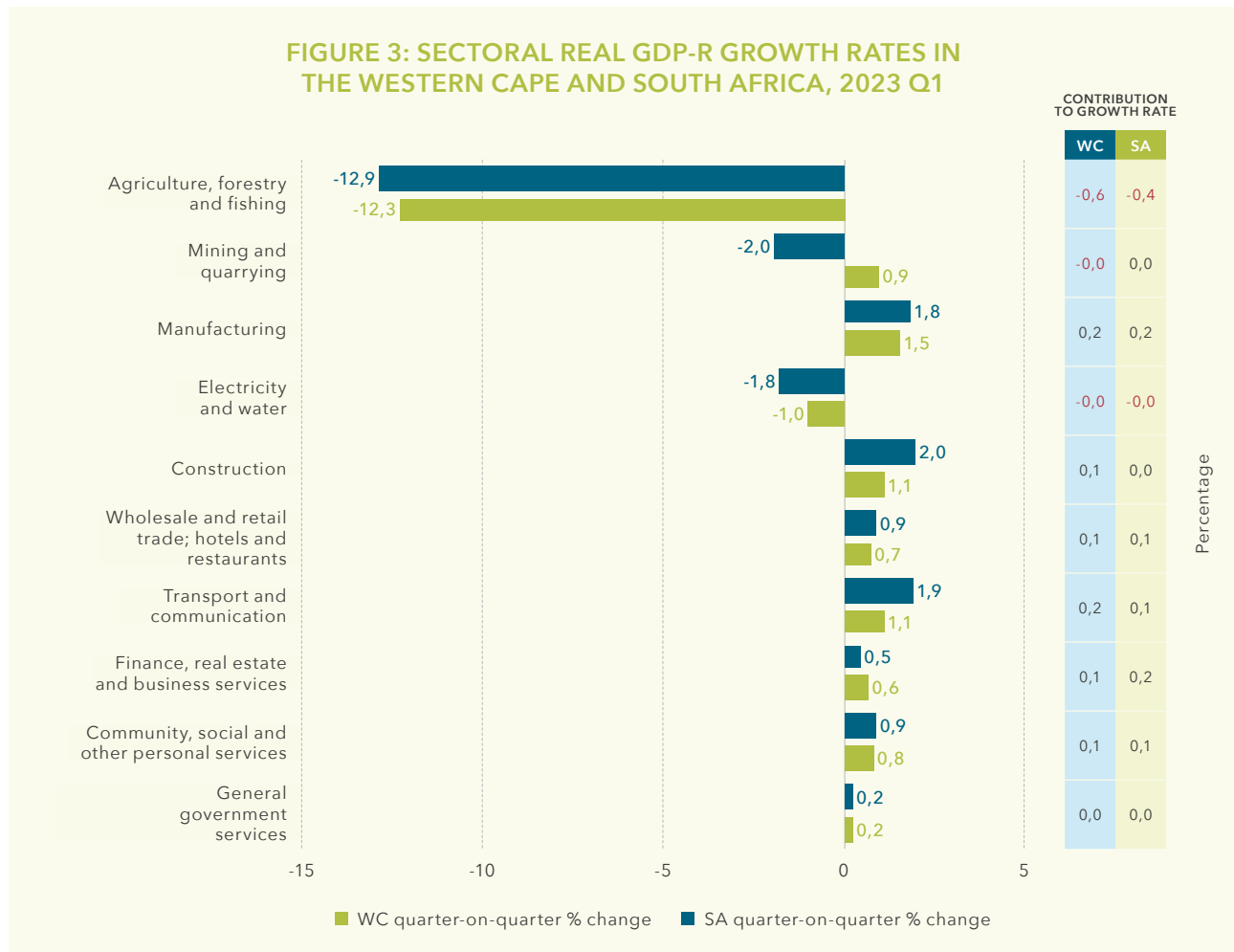
Source: Quantec, 2023.

The Western Cape's GDP performance largely mirrored that of the national economy, with similar sectoral trends in the first quarter of 2023. As was the case at the national scale, the majority (seven) of the province's sectors recorded positive growth. Interestingly at the provincial level, the construction sector recorded the largest sectoral growth rate of 2,0%. This, however, is off a relatively smaller base as the sector only constitutes a small share (3,6%) of total economic activity and thus only contributed 0,1 of a percentage point to the total provincial growth rate in the first quarter. This was followed by the transport and communication, and manufacturing sectors, which recorded quarter-on-quarter growth of 1,9% and 1,8% respectively. These were also the largest positive contributors to the total provincial growth rate, each adding 0,2 of a percentage point. Growth was also recorded in the community and personal services, and trade and hospitality sectors, each recording 0,9% quarter-on-quarter growth, and

added 0,1 of a percentage point each to the total provincial growth rate.

Following a decline in the previous quarter (-1,7%), the finance and business services sector - the province's largest in terms of rand value share - rebounded to record 0,5% quarter-on-quarter growth, adding 0,15 percentage points to the total provincial growth rate.

As at the national level, the agriculture sector recorded the largest contraction, with -12,3% quarter-on-quarter. As its share at the provincial economy is slightly larger, its impact was greater and subtracted 0,6 of a percentage point from the total provincial growth rate (compared to subtracting 0,4 at the national level). The electricity and water, and mining and quarrying sectors contracted by 2,0% and 1,8% quarter-on-quarter, respectively, although with miniscule negative impact on the total provincial growth rate.



Source: Quantec, 2023.

Due to the nature of the stumbling growth path, it is still useful to compare economic activity to pre-Covid-19 levels as a way of monitoring economic recovery since the pandemic. As illustrated in table 1, overall economic activity (shown as total GDP) remains higher than that of the fourth quarter of 2019. At the sectoral level, however, recovery is still underway. For the first quarter of 2023, the economic output of four sectors exceeded their respective pre-pandemic levels, while six remain lower, unchanged in their status from the previous

quarter. With the exception of the agriculture sector, the finance and business services, general government, and transport and communications sectors have all recorded higher output when also compared to the previous quarter. And while still lower than their respective pre-pandemic levels, the construction, manufacturing, and trade and hospitality sectors improved, recording a lower difference than in the previous quarter.

TABLE 1: WESTERN CAPE'S SECTORAL ECONOMIC ACTIVITY LEVELS, 2020 Q1 TO 2023 Q1, COMPARED TO PRE-COVID-19 PANDEMIC (I.E. 2019 Q4)

	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1
Gross domestic product (GDP)														
Agriculture														
Mining														
Manufacturing														
Electricity and water														
Construction														
Trade and hospitality														
Transport														
Finance and business services														
Community and personal services														
General government														

■ Equal to or greater than 2019 Q4 level ■ Less than 2019 Q4 level

Source: Own calculations based on Quantec data, 2023.

Note: 2019 Q4 is the base year to which all following quarters are compared.

In contrast to its high contribution to the tertiary sector output of the Western Cape, Cape Town's contribution to the province's total primary sector GGP is only 20% (South Africa Regional eXplorer, 2023). This means it is difficult to make inferences about the performance of the city's primary sector based on primary sector GGP growth 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. Rather, the performance of the city's economy in the first quarter of 2023 would have been driven by the performance of the finance, community services and trade sectors, which in 2022 comprised 40%, 19% and 13% of the city's economy respectively. The positive performances of these sectors may have a greater impact to Cape Town's economy, however overall the city may have experienced economic growth similar to that of the province in this 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

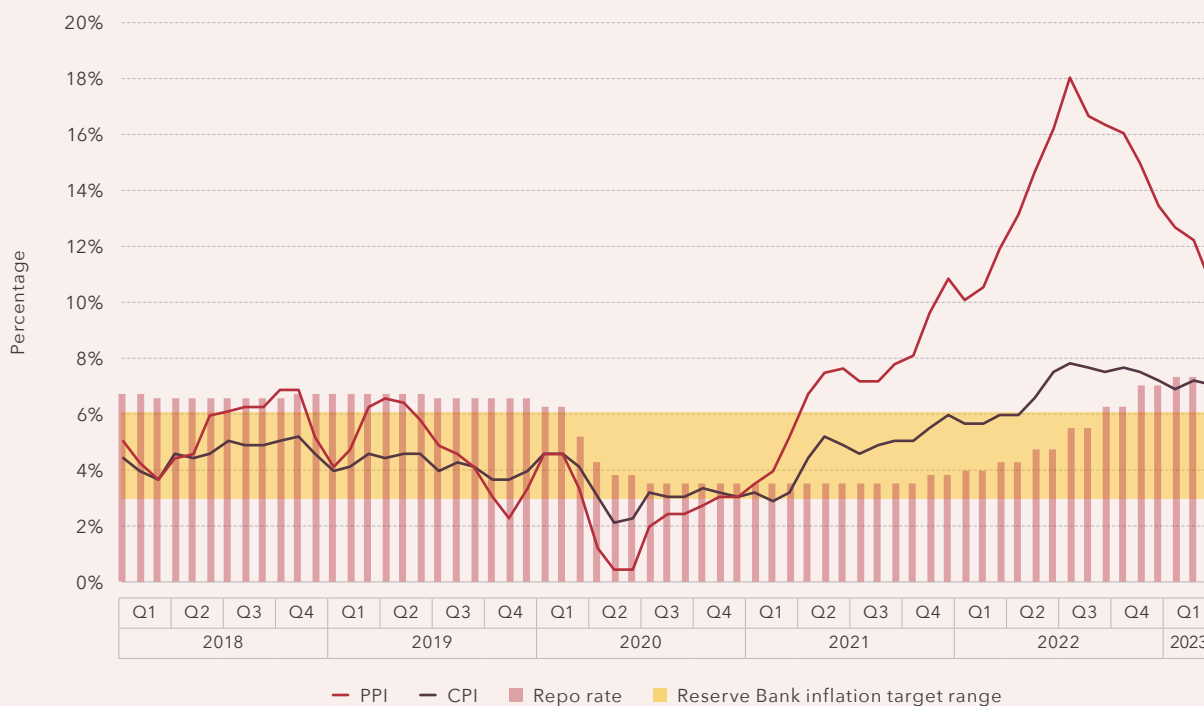
In the last month of the first quarter of 2023, the CPI³ decreased to 7,0% compared to the 7,2% recorded at the end of the fourth quarter of 2022. As illustrated in figure 4, the CPI increased from 6,9% in January to 7,1% in February and decreased to 7,0% in March. The slight downward trend since July 2022 could be attributed to the numerous hikes in the repurchase rate (repo rate) since November 2021. According to Statistics South Africa (2022), the main contributors to the overall CPI inflation rate for March 2023 were: food and non-alcoholic beverages, housing and utilities, transport, and miscellaneous goods and services.

According to the Monetary Policy Committee (MPC) statement in March 2023, global economic conditions are weighing heavily on the South African outlook. These include the higher, and longer-duration, inflation and policy rates, sluggish economic growth and weaknesses emerging in the financial markets. The outlook for 2023 dropped minimally to 5,1% from a previous 5,2%, within the inflation target boundaries, and remained unchanged at 4,8% for 2024. The MPC stated that fuel, electricity and food prices are the key categories contributing

to the rise in inflation. Concerningly, local food prices continue to rise, while global food prices are dropping. This upward pressure is attributed to South Africa's weak local currency. Further concerns were that external factors influencing [overall] inflation remain volatile, such as poor economic growth, weaker commodity prices and increasing financing requirements by consumers. As such, the MPC believes that risks to the inflation outlook remain high and they will closely monitor these [upward] risks to inform future decision making.

For the first quarter of 2023, the PPI⁴ recorded a decrease to an average of 11,8%, after averaging 14,8% in the previous quarter. The index recorded monthly readings of 12,7% in January, decreasing to 12,2% in February and further to 10,6% in March 2023. The main inflationary contributors to the PPI in December (in terms of final manufactured products) were the prices of: coke, petroleum, chemical, rubber and plastic products; food products, beverages and tobacco products; metals, machinery, equipment and computing equipment; transport equipment; and paper and printed products.

FIGURE 4: CPI AND PPI TRENDS FOR SOUTH AFRICA, JANUARY 2018 TO MARCH 2023



Source: CPI and PPI, extracted from Statistics South Africa, 2023; repo rate extracted from SARB, 2023.

³ Headline CPI is recorded and reported on for urban areas.

⁴ According to Statistics South Africa (2021), the PPI from, and including, January 2021 has been reweighted. Noted, however, is that the reweighting will not affect the calculations of the basket.

The gap between the CPI and the PPI has increased significantly since the fourth quarter of 2020 (by an average of 0,3 percentage points), reaching a peak in the third quarter of 2022 with an average of 9,3 percentage points. Since the peak, the gap has been decreasing from the average difference of 7,4 percentage points in the fourth quarter of 2022 to an average difference of 4,3 percentage points for the first quarter of 2023.

Figure 4 illustrates changes in the repo rate. As indicated in the graph, the repo rate increased twice during the first quarter of 2023, by a total 75 basis points. This took the repo rate to 7,75% from a previous 7% at the start of the quarter, the highest it has been since December 2022. It would seem that the aggressive approach of continuously increasing the repo rate as a way of addressing rising headline inflation has had its desired effect, as the CPI

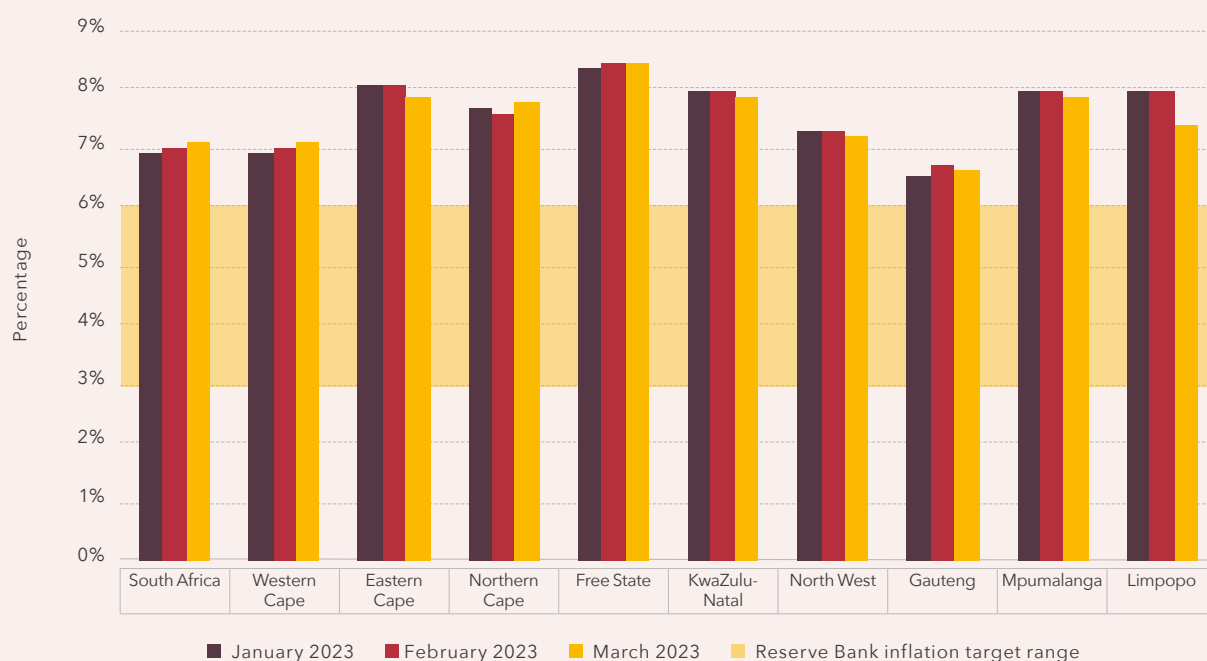
and PPI recorded declines at the end of the quarter. According to the MPC statement of March 2023 (SARB, 2023), key reasons for the most recent decision to raise the repo rate further were: headline inflation that still hovered above the target range of 3% to 6%; and the upward pressure on inflation expectations from [local] food prices and the weakening South African rand. Further concerns that carried weight in the decision were the currency volatility, weakening global economic conditions, load-shedding, as well as expected increases in oil, electricity and administered 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 of credit demand as the economy continues to recover.

GEOGRAPHICAL INFLATION

The Western Cape recorded a slightly higher inflation rate of 7,1% at the end of the first quarter (March) of 2023 compared to the end of the previous quarter (6,9%). The province and the country recorded similar inflation rates throughout this quarter. Figure 5 illustrates inflation rates for the first quarter of 2023 across all nine provinces. Compared to the end of the fourth quarter of 2022, six provinces experienced inflationary decreases and three provinces recorded inflationary increases. All provinces

remained above the upper end of the inflation target range throughout this quarter. The Free State recorded the highest inflation rate for the quarter under review, with an average of 8,5%, followed by the Eastern Cape (8,03%), Limpopo (7,97%) and KwaZulu-Natal (7,97%). The Western Cape recorded the second-lowest average inflation rate of 7,0%, after Gauteng, which recorded an average inflation rate of 6,6% for this period.

FIGURE 5: CPI INFLATION RATE AT A PROVINCIAL LEVEL, JANUARY TO MARCH 2023



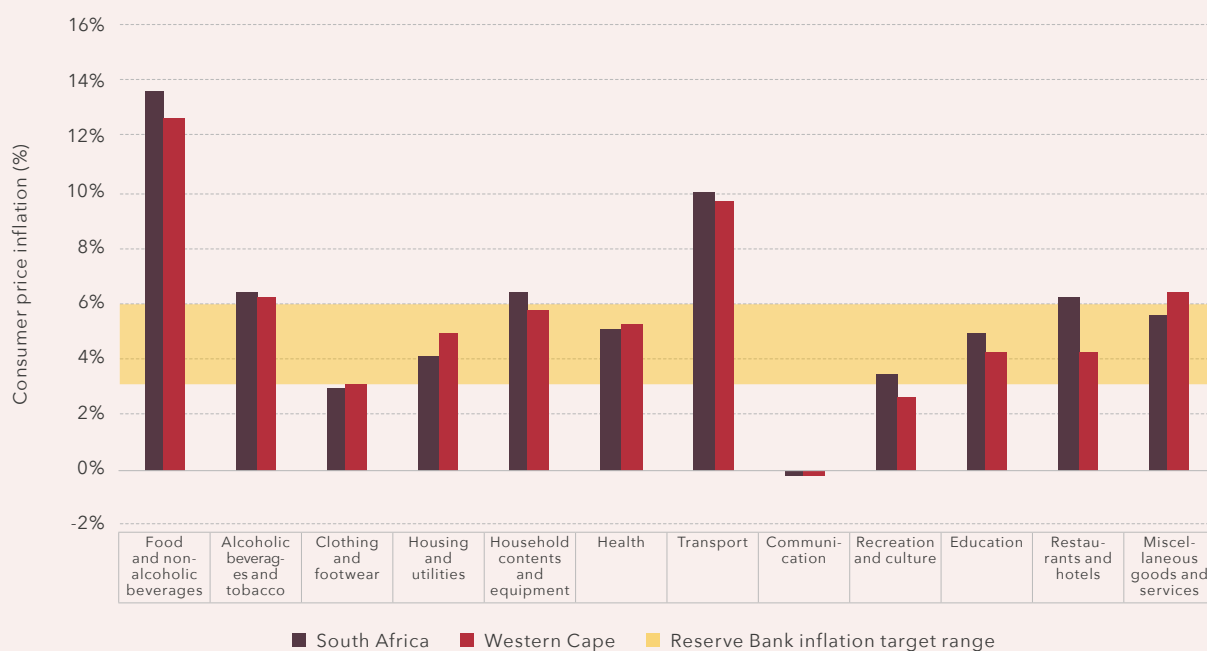
Source: Statistics South Africa, April 2023.

As indicated in figure 6, for both South Africa and the Western Cape, the higher [overall] inflation recordings for the first quarter of 2023 can largely be attributed to food and non-alcoholic inflation, which recorded an average inflation rate of close to 13%, as well as the transport category, which recorded an average inflation rate close to 10%. In addition, alcoholic beverages and tobacco, for both the country and the province, recorded an average inflation rate above 6%, adding to the upward pressure on overall inflation. For the country, the household contents and services, as well as restaurants and hotels, price inflation categories recorded above 6%, whereas the province recorded below the upper end (6%) of the target range. The province recorded an inflation rate in the miscellaneous goods and services price inflation category

of above 6%, also higher than what the country recorded. The Western Cape recorded a lower average inflation rate in seven of the 12 broad categories when compared to the national levels.

For March 2023, transport price inflation was 8,9% at a national level and lower at a provincial level (8,5%). It must be noted that transport price inflation recorded decreases for both the country and province when compared to the start of the fourth quarter of 2022. This was largely driven by [its sub-category of] public transport price inflation for both the country and province. Public transport price inflation for March was only slightly higher at a national level (14,6%) than the 14,2% recorded at a provincial level.

FIGURE 6: AVERAGE CONSUMER PRICE INFLATION FOR THE WESTERN CAPE AND SOUTH AFRICA, 2023 Q1



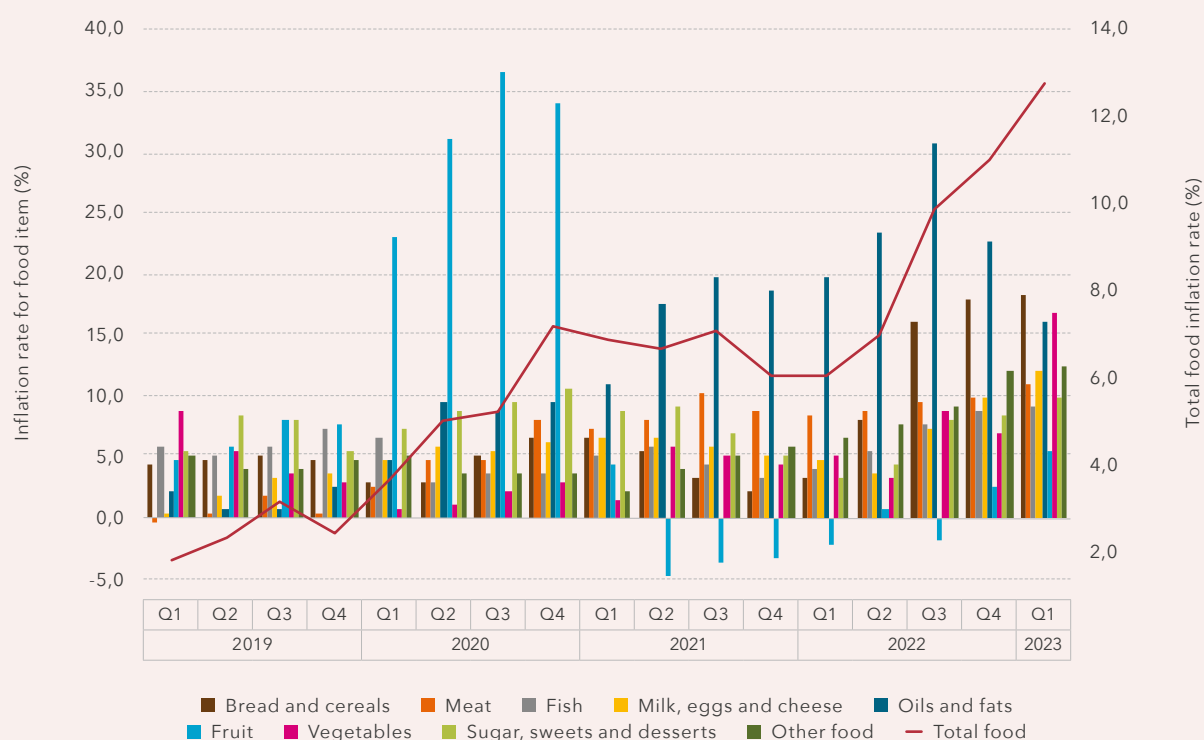
WESTERN CAPE FOOD INFLATION

Tracking and monitoring food price changes have become increasingly important as household income levels continue to face pressure, threatening access to food for many families. 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 2023, food price inflation was higher compared to the corresponding period a year ago, averaging 12,8% (compared to 14% nationally). Although headline inflation increases have slowed, food price inflation continues to rise. A key reason for this divergence is the factors placing upward pressure on food prices on the supply side

(Bureau for Food and Agricultural Policy [BFAP], 2023), while the consistent repo rate hikes (a demand-side tool) have controlled increases in the headline inflation.

For the first quarter of 2023, eight of the nine food items recorded increases when compared to the fourth quarter of 2022. The food items that demonstrated the highest average inflation rates in the first quarter of 2023 were bread and cereals (18,9%, increasing from 17,1%), and oils and fats (15,9%, decreasing from 22,8%). Further elevated categories were vegetables (16,8%, increasing from 6,8%) as well as milk, eggs and cheese (12% increasing from 9,9%).

FIGURE 7: WESTERN CAPE'S FOOD INFLATION, JANUARY 2019 TO MARCH 2023



Source: Statistics South Africa, April 2023.

According to the BFAP's statement for March 2023, global inflation trends in food crops, livestock and dairy have been on a decreasing path, however this is yet to filter through to the South African market where it is offset by the weaker local currency. In addition, upward drivers are the impact of the increased fuel prices and load-shedding, which are adding costs throughout the value chain. Interestingly for the vegetable market, the upward

pressure has largely come from climate-related factors, such as the heavy rains over the summer season, which have kept prices relatively high.

BFAP's expectations are that prices will ease in the second half of the year as lower commodity prices start to filter through to the retail market, while "high base effects will also start to come into play".

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

Cape Town's working-age population (3,2 million individuals) and labour force (2,2 million individuals) increased when compared to the previous quarter as well as when compared to the same quarter of 2022. Employment increased on a quarter-on-quarter basis (up by 40 276 individuals), recording a total of 1,7 million employed individuals at the end of the first quarter of 2023. Cape Town's employment level for the quarter under review is the highest recorded to date and is the fourth consecutive quarter of positive employment growth. It is also higher by 279 087 individuals when compared to the same quarter in the previous year. This led to increases in both the labour absorption rate (from 52,9% to 54%) and labour force participation rate (from 70,1% to 70,5%) when compared to the previous quarter. Similarly, both rates recorded higher levels when

compared to the first quarter of 2022, returning to pre-Covid-19 levels.

Of concern, however, is the increase in the number of discouraged work seekers on a quarter-on-quarter (up by 3 278 individuals) and year-on-year (up by 9 315 individuals) basis, to record a total of 34 856 individuals at the end of the first quarter of 2023. More encouragingly, the 'other not economically active' category recorded large decreases on a quarter-on-quarter and year-on-year basis. The increase in employment and decreases in the searching unemployed and [net] non-searching categories led to a lower broad unemployment rate of 26% from the previous 26,9% of the fourth quarter of 2022. At 26%, Cape Town's broad unemployment rate was lower than any of the other metros in South Africa.

TABLE 2: CAPE TOWN LABOUR MARKET INDICATORS, 2023 Q1 VERSUS 2022 Q4 AND 2022 Q1

	RECORDED			QUARTER-ON-QUARTER CHANGE	YEAR-ON-YEAR CHANGE
	2023 Q1	2022 Q4	2022 Q1	(vs 2022 Q4)	(vs 2022 Q1)
Working-age population	3 158 455	3 145 865	3 104 677	12 590	53 779
Broad labour force	2 302 271	2 275 584	2 034 736	26 687	267 535
Strict labour force	2 226 006	2 204 518	1 963 434	21 488	262 572
Employed: Total	1 704 372	1 664 096	1 425 285	40 276	279 087
Employed: Formal sector	1 410 677	1 396 063	1 172 099	14 614	238 578
Employed: Informal sector	194 288	181 899	168 199	12 389	26 088
Unemployed (strict)	521 634	540 422	538 149	-18 788	-16 515
Not economically active	932 449	941 346	1 141 243	-8 897	-208 793
Discouraged work seekers	34 856	31 578	25 541	3 278	9 315
Other not economically active	897 593	909 768	1 115 701	-12 175	-218 108

Source: Statistics South Africa, Quarterly Labour Force Survey, 2023 Quarter 1, May 2023.

EMPLOYMENT COMPARISON OF METROS

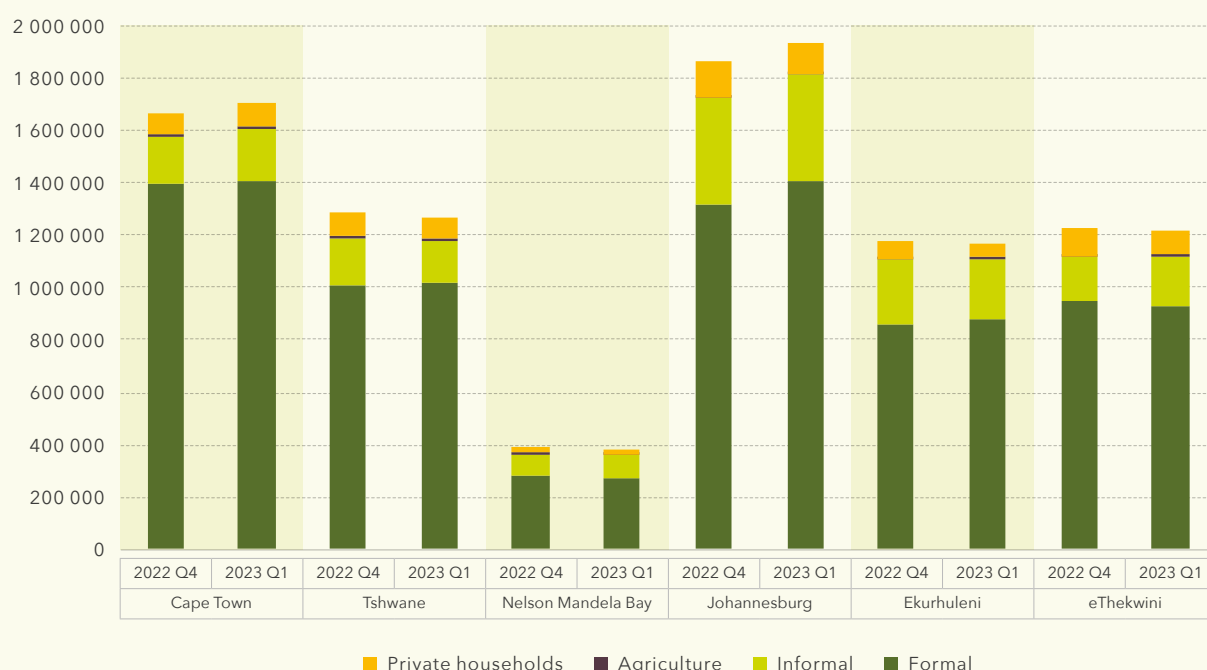
When measuring Cape Town's job-creation performance, a comparison with other metros⁵ in the country is helpful. In the first quarter of 2023, Cape Town continued to have the second-highest number of employed people, at 1,7 million individuals. This is second only to Johannesburg, where 1,9 million people were employed. This is to be expected, as Johannesburg has a significantly larger population than Cape Town.

As can be seen in figure 8, when compared to the previous quarter, the majority of the metros recorded a decrease, while just two metros displayed positive employment growth. Johannesburg added the most to employment (up by 72 271 individuals), followed by Cape Town (up by 40 276 individuals). Tshwane recorded the largest drop in employment, by 18 293 individuals. This was followed by eThekweni (down by 10 445 individuals), Ekurhuleni (down

by 8 524 individuals) and Nelson Mandela Bay (down by 5 354 individuals).

In Cape Town, formal employment increased strongly quarter-on-quarter (up by 14 614 individuals), and when compared to the first quarter of 2022 (up by 238 578 individuals), to record 1,41 million individuals for this quarter. Informal employment also displayed strong quarter-on-quarter growth (up by 12 389 individuals) as well as on a year-on-year (up by 26 088 individuals) level, to record a total of 194 288 individuals. The agriculture sector and private households recorded employment gains of 4 745 and 8 527 individuals, respectively, when compared to the fourth quarter of 2022. When compared to the first quarter of 2022, both the agriculture and private households sectors also showed positive employment gains.

FIGURE 8: EMPLOYMENT COMPARISON WITH OTHER METROS BY MAJOR SECTOR, 2022 Q4 VERSUS 2023 Q1



Source: Statistics South Africa, Quarterly Labour Force Survey, 2023 Quarter 1, May 2023.

⁵ This comparison does not include all South African metro cities.

UNEMPLOYMENT IN CAPE TOWN

Encouragingly, the number of (searching) unemployed people in Cape Town decreased on a quarter-on-quarter (down by 18 788 individuals) and a year-on-year (down by 16 515 individuals) level to record a total of 521 634 individuals at the end of the first quarter of 2023. Although this is the third consecutive quarter in which a decline has been recorded, unemployment remains higher by 95 504 individuals when compared to the same quarter of 2019. The increase recorded in employment coupled with the decrease recorded in unemployment resulted in a lower strict unemployment rate (23,4%) when compared to the fourth quarter of 2022 (24,5%). The strict unemployment rate is also lower by 4 percentage points when compared to the first quarter of 2022 (27,4%).

The youth unemployment rate in Cape Town, defined as the strict unemployment rate for individuals aged 15 to 24, was estimated at 48,1% in the first quarter of 2023,

decreasing from 53,8% in the fourth quarter of 2022. The figure also represents a decrease from the 56,4% recorded in the first quarter of 2022. While this remains below the national youth unemployment rate of 62% recorded in the first quarter of 2023 (increasing from 61% on a quarter-on-quarter 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 3). On a quarter-on-quarter basis, Cape Town had the lowest broad unemployment rate of 26% (down from 26,9% in 2022 Q4), while eThekweni had the lowest strict unemployment rate of 19,4% (up from 17,6% in 2022 Q4) when compared to all the other metros.

TABLE 3: UNEMPLOYMENT RATE⁶ COMPARISON OF METROS, 2023 Q1 VERSUS 2022 Q4 AND 2022 Q1

METRO	OFFICIAL (STRICT)			EXPANDED (BROAD)		
	2023 Q1	2022 Q4	2022 Q1	2023 Q1	2022 Q4	2022 Q1
Cape Town	23,4%	24,5%	27,4%	26,0%	26,9%	30,0%
eThekweni	19,4%	17,6%	28,4%	35,6%	33,8%	36,8%
Ekurhuleni	33,4%	30,7%	30,8%	41,9%	39,1%	44,8%
Johannesburg	32,7%	32,6%	39,1%	36,4%	37,3%	41,1%
Nelson Mandela Bay	33,9%	34,4%	36,4%	36,6%	35,7%	39,1%
Tshwane	35,0%	34,7%	38,2%	38,6%	37,9%	41,3%

Source: Statistics South Africa, Quarterly Labour Force Survey, 2023 Quarter 1, May 2023.

Four of the metros experienced an increase in their strict and broad unemployment rates when compared to the previous quarter. On a quarter-on-quarter basis, eThekweni recorded the largest increase in strict unemployment (up by 1,8 percentage points to 19,4%), while Cape Town recorded the largest decrease in strict unemployment (down by 1,1 percentage points to 23,4%). Cape Town's strict and broad unemployment rates are lower when compared to the same period in 2022 (down by 4 percentage points each).

Among the metros, Cape Town recorded the lowest difference between its two rates of unemployment (2,5 percentage points), while eThekweni recorded the largest difference of 16 percentage points. The extent of the difference between the two rates of unemployment can be attributed to the number of discouraged work seekers within the metros.

⁶ 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.

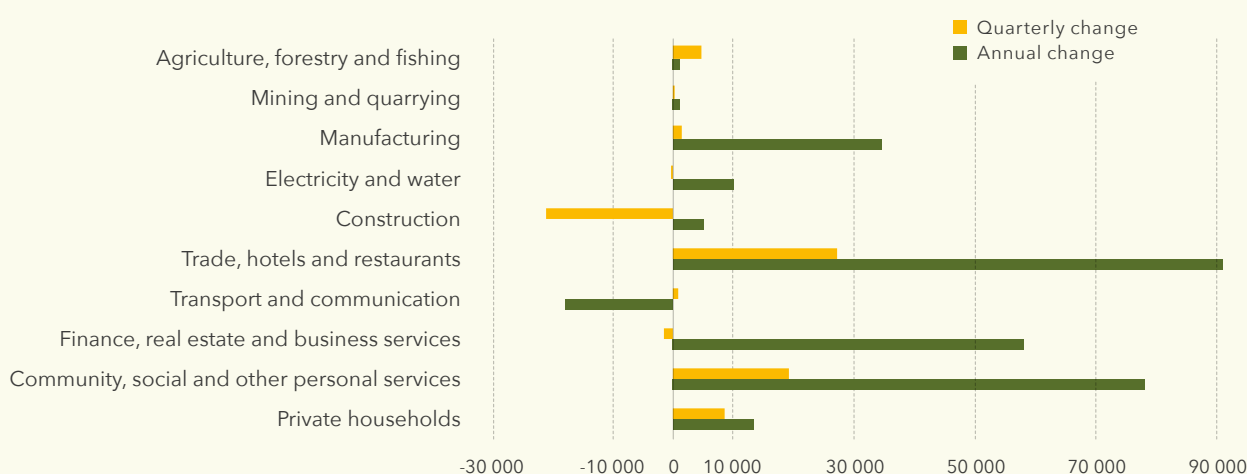
SECTOR EMPLOYMENT TRENDS FOR CAPE TOWN

Figure 9 depicts the change in the level of employment by sector in Cape Town in the first quarter of 2023 compared to the fourth and first quarters of 2022. On a quarter-on-quarter basis, only three sectors recorded employment losses compared to the fourth quarter of 2022; the rest recorded gains. The trade, hotels and restaurants sector (up by 27 261 jobs) added the most to total employment, followed by the community, social and other personal services (up by 19 213 jobs) and private households (up by 8 527 jobs) sectors. Sound contributions to employment growth were also made by the agriculture (up by 4 745 jobs), manufacturing (up by 1 552 jobs), as well as transport and communication (up by 1 007 jobs) sectors. Mining and quarrying added minimally to employment (up by 282 jobs). The construction sector shed the most jobs (down by 21 118 jobs), followed by the finance, real estate and business

services (down by 1 633 jobs) and electricity and water (down by a minimal 70 jobs) sectors in the first quarter.

Only one sector displayed employment losses when compared to the first quarter of 2022, while the rest all recorded strong employment gains. Similar to its quarterly performance, the trade, hotels and restaurant sector added the most to employment by a total of 91 975 jobs. This was followed by community, social and other personal services (up by 78 318 jobs), finance, real estate and business services (up by 59 853 jobs), as well as manufacturing (up by 34 499 jobs) sectors. Strong contributions were also made by private households (up by 13 180 jobs), electricity and water (up by 10 080 jobs), construction (up by 5 020 jobs), and agriculture (up by 1 241 jobs) sectors. The transport and communication sector was the only sector to shed jobs (down by 17 724) on a year-on-year basis.

FIGURE 9: QUARTERLY AND ANNUAL CHANGE IN EMPLOYMENT PER SECTOR FOR CAPE TOWN, 2023 Q1



Source: Statistics South Africa, Quarterly Labour Force Survey, 2023 Quarter 1, May 2023.

05





INFRASTRUCTURE AND TRADE

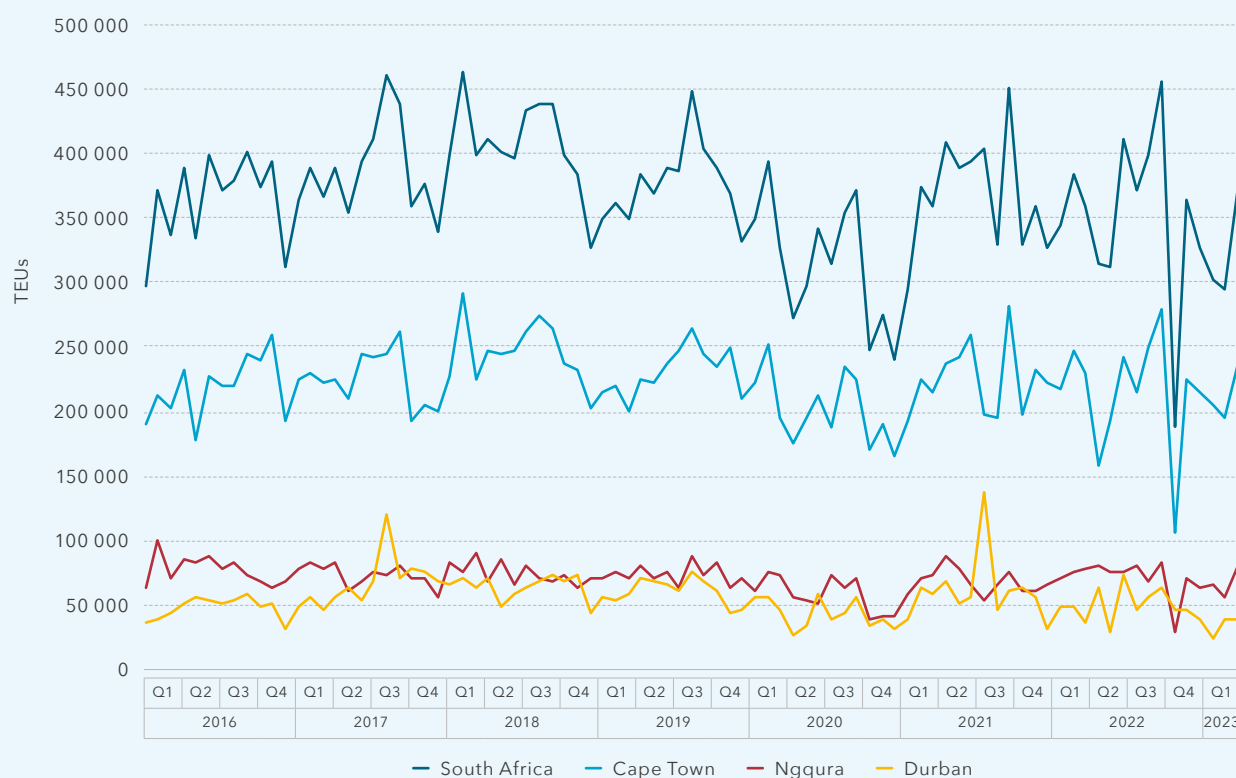
Cape Town is often cited as the gateway to South Africa and Africa. This status is sustained by the city's well-developed transportation infrastructure, including having South Africa's second-busiest airport, as well as (historically) its second-busiest container port. This section reviews infrastructure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

CONTAINER TRAFFIC

Container traffic demonstrates erratic short-term movement, as shown in figure 10. As such, it is best to compare the quarterly number of containers handled, as measured in twenty-foot equivalent units (TEUs),⁷ over the period of a year. The Port of Durban⁸ remained the

largest container handling port in South Africa, handling a total of 637 513 TEUs in the first quarter of 2023, which accounted for 65,8% of all containers handled in the country. It was followed by the Port of Cape Town (21,0%) and the Port of Ngqura⁹ (10,2%).

FIGURE 10: TOTAL CONTAINERS HANDLED (NATIONALLY), JANUARY 2016 TO MARCH 2023



Source: Transnet National Ports Authority, May 2023.

As shown in table 4, the total number of containers handled at South African ports decreased on a year-on-year basis. Containers handled nationally decreased by 10,8%, from 1 085 853 TEUs in the first quarter of 2022 to 968 343 TEUs in the first quarter of 2023. Underpinning this decline, the Port of Cape Town experienced a year-

on-year decrease, from 225 549 TEUs handled in the first quarter of 2022 to 203 196 TEUs in the first quarter of 2023, reflecting a year-on-year decrease of 9,9%. The Port of Durban recorded a year-on-year decrease of 7,9%, while the Port of Ngqura recorded the largest decline of 26,5% when compared to the first quarter of 2022.

⁷ A TEU (20-foot equivalent unit) is an inexact unit of cargo capacity, based on the volume of a 20-foot-long (6 m) container. There is a lack of standardisation with regard to height, ranging between 4 feet 3 inches (1,30 m) and 9 feet 6 inches (2,90 m), with the most common height being 8 feet 6 inches (2,59 m). The 40-foot (12,2 m) or 45-foot (13,7 m) containers – the sizes most frequently used – are both defined as two TEU.

⁸ The Port of Durban is located in the eThekweni metro.

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

**TABLE 4: COMPARISON OF TOTAL¹⁰ CONTAINERS HANDLED
(IN TEUs), 2023 Q1 VERSUS 2022 Q4 AND 2022 Q1**

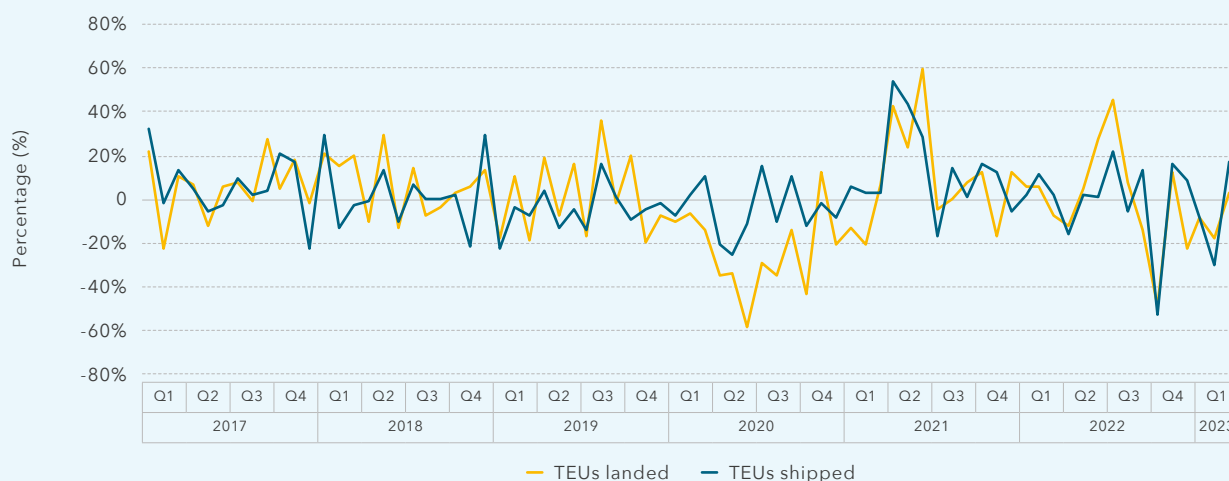
	2023 Q1	2022 Q4	2022 Q1	YEAR-ON-YEAR CHANGE
South Africa	968 343	878 615	1 085 853	-10,8%
Cape Town	203 196	164 202	225 549	-9,9%
Durban	637 513	546 399	692 556	-7,9%
Ngqura	98 737	132 400	134 305	-26,5%

Source: Transnet National Ports Authority, May 2023.

For full TEUs handled, the Port of Cape Town recorded a year-on-year decrease of 8,1% in TEUs landed, from 57 905 TEUs in the first quarter of 2022 to 53 189 TEUs in the first quarter of 2023. The number of TEUs shipped also decreased by 7,1%, from 91 427 TEUs in the first quarter of 2022 to 84 906 TEUs in the first quarter of

2023. When compared to the year-on-year changes from the previous quarter, the year-on-year performances in both full-landed and full-shipped TEUs displayed some improvement, recording smaller declines than in the previous quarter.

**FIGURE 11: ANNUAL CHANGE IN FULL TEUs HANDLED AT THE
PORT OF CAPE TOWN, JANUARY 2017 TO MARCH 2023**



Source: Transnet National Ports Authority, May 2023.

¹⁰ Total containers handled includes both full and empty TEUs logged.



CAPE TOWN TRADE

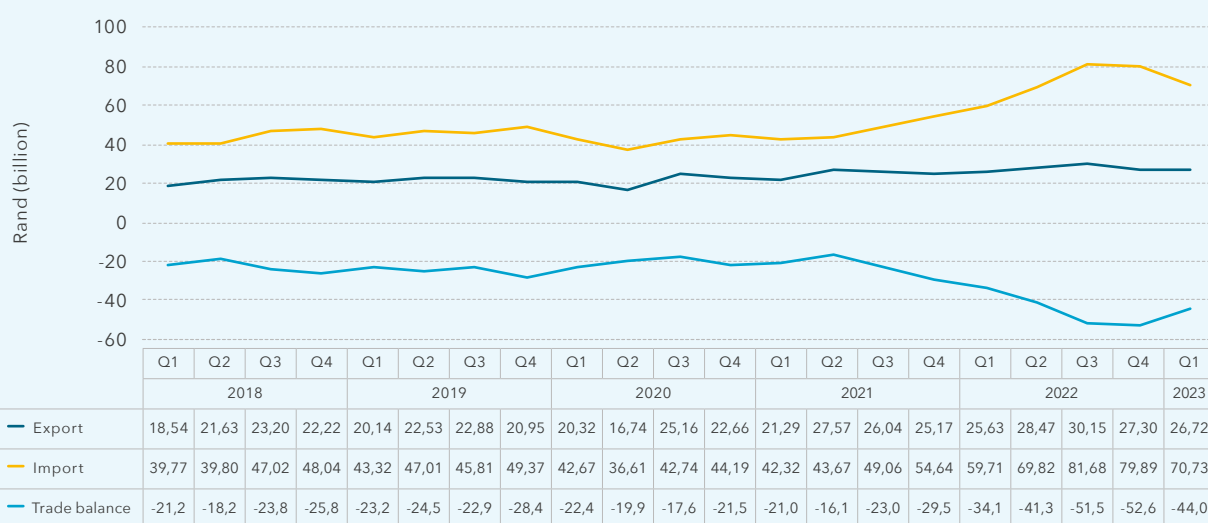
In the first quarter of 2023, quarterly exports and imports decreased further from the all-time highs recorded in the third quarter of 2022. Figure 12 shows the quarterly trade balance for Cape Town, with the trade deficit improving slightly to R44 billion, although still double that of the first quarter of 2018. Exports decreased by 2,1% quarter-on-quarter to R26,7 billion and imports decreased by 11,5% to R70,7 billion. Imports declined in part due to decreasing global inflation levels and decreasing oil prices (-5% quarter-on-quarter). A weaker rand against the dollar (2,7% quarter-on-quarter) also meant imports were relatively more expensive compared to the previous quarter.

Focusing on the top 10 export products (by rand value), the largest quarterly growth in exports was for grapes, impacted by seasonal trends, followed by manganese, which also experienced significant year-on-year growth of 61%. The largest year-on-year growth in Cape Town's exports was recorded by chromium and niobium, which

are not locally mined. The logistical rerouting of certain mineral resource exports may be due to increased demand or prices of these commodities, rail and port bottlenecks, or increased crime on traditional routes. Refined petroleum remained the highest-value export from Cape Town in the first quarter of 2023, worth R3,23 billion, followed by grapes (R3,18 billion). Cape Town's largest import products in the first quarter of 2023 were refined petroleum and crude petroleum, worth R30 billion and R7,5 billion respectively. Refined petroleum was imported primarily from the United Arab Emirates, Oman and India.

The value of total exports increased by 4,3% and imports grew by 18,5%, when compared to quarter 1 of 2022. Large year-on-year value increases were seen in imports of crude petroleum oils and electric accumulators or batteries to store electricity (231%). Severe load-shedding has led to an increase in demand for these products.

FIGURE 12: CAPE TOWN'S TRADE BALANCE, JANUARY 2018 TO MARCH 2023



Source: Quantec, 2023.

Cape Town's top 10 exports in the first quarter of 2023, shown in table 5, accounted for 45,3% of total exports. When compared to the first quarter of 2022, the largest year-on-year increases in the top 10 exports were for chromium, niobium and manganese. These commodities are not locally mined and are transported via road and shipped from the Port of Cape Town. This is not a traditional route for these mineral exports. Coal, the fourth highest growth export, is only occasionally exported from Cape Town when demand and global prices are high. This has occurred frequently since the war in Ukraine, as European markets shift away from Russian coal and gas supply (IOL, 2022).

Grape exports experienced a year-on-year decline of 3,8%, the only product in the top 10 category to decline this quarter. Four of the top 10 exports in quarter 1 were non-locally produced commodities, which usurped the top position from frozen fish, molluscs, stone fruit, beauty products and wine, all of which are products that are often found in the top 10 exports. While total exports grew by 4,3% year-on-year, this growth doesn't point to a significant increase in economic productivity growth within the metro, as it is being driven by the growth of high value, non-local commodities.

TABLE 5: CAPE TOWN'S TOP 10 EXPORTS, 2023 Q1

CAPE TOWN'S TOP EXPORT CATEGORIES FOR 2023 Q1 (HS 4) ¹¹	ZAR MILLION	% OF TOTAL EXPORTS	YEAR-ON-YEAR CHANGE (VS 2022 Q1)
Refined petroleum	R3 235,31	12,1%	25,9%
Grapes	R3 182,73	11,9%	-3,8%
Coal	R1 691,57	6,3%	55,5%
Apples, pears and quinces	R875,84	3,3%	12,5%
Jewellery with precious metal	R639,90	2,4%	10,5%
Engine parts	R621,77	2,3%	22,3%
Manganese	R544,11	2,0%	61,4%
Chromium ores	R480,40	1,8%	182,0%
Fish fillets	R443,20	1,7%	24,9%
Niobium, tantalum, vanadium or zirconium	R378,07	1,4%	140,1%
Total of top 10 export categories	R12 092,90	45,3%	
Total of ALL products	R26 722,45	100,0%	4,3%

Source: Quantec, own calculations, June 2023.

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

¹¹ 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

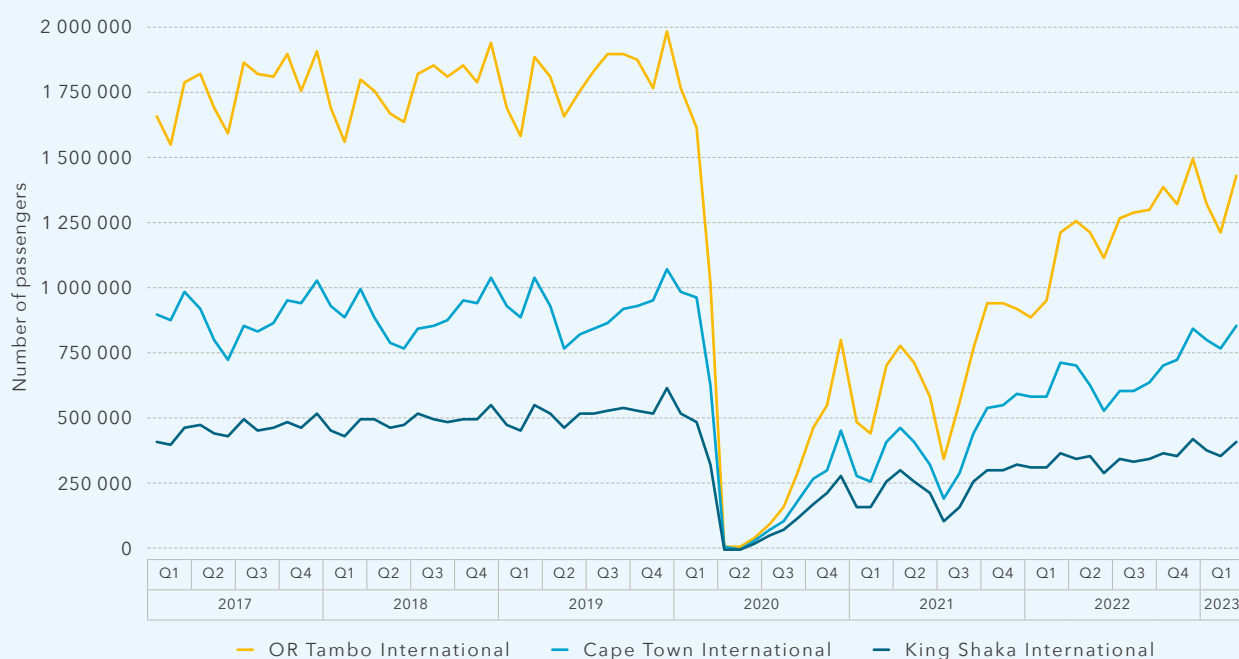
Cape Town International Airport is South Africa's second-busiest airport, after OR Tambo International Airport in Johannesburg. It recorded 2,4 million total passenger movements (arrivals and departures) in the first quarter of 2023, compared to 4 million passenger movements at OR Tambo International and 1 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 2023, all three international airports recorded positive year-on-year performances. Total passenger movements at Cape Town International in the first quarter of 2023 increased by 28,2% year-on-year, representing a total of 531 568 more passenger movements than observed in the first quarter of 2022. Total passenger movements at OR Tambo International

increased by 29,4% (+900 251) year-on-year in the first quarter of 2023, while King Shaka International saw an increase of 15,9% (+156 237). The overall positive year-on-year data point to improvements in travel and its associated industries, such as tourism and meetings, incentives, conferences and exhibitions in Cape Town.

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 remain relatively amplified as they have come off a low base. When compared to the same period in 2019,¹² air passenger movements remain, on average, 21% lower than pre-pandemic levels, which is illustrated in figure 13. However, this situation has improved when compared to the previous quarters.

FIGURE 13: TOTAL (MONTHLY) PASSENGER MOVEMENTS AT SOUTH AFRICA'S MAJOR AIRPORTS, JANUARY 2017 TO MARCH 2023



Source: Airports Company South Africa, May 2023.

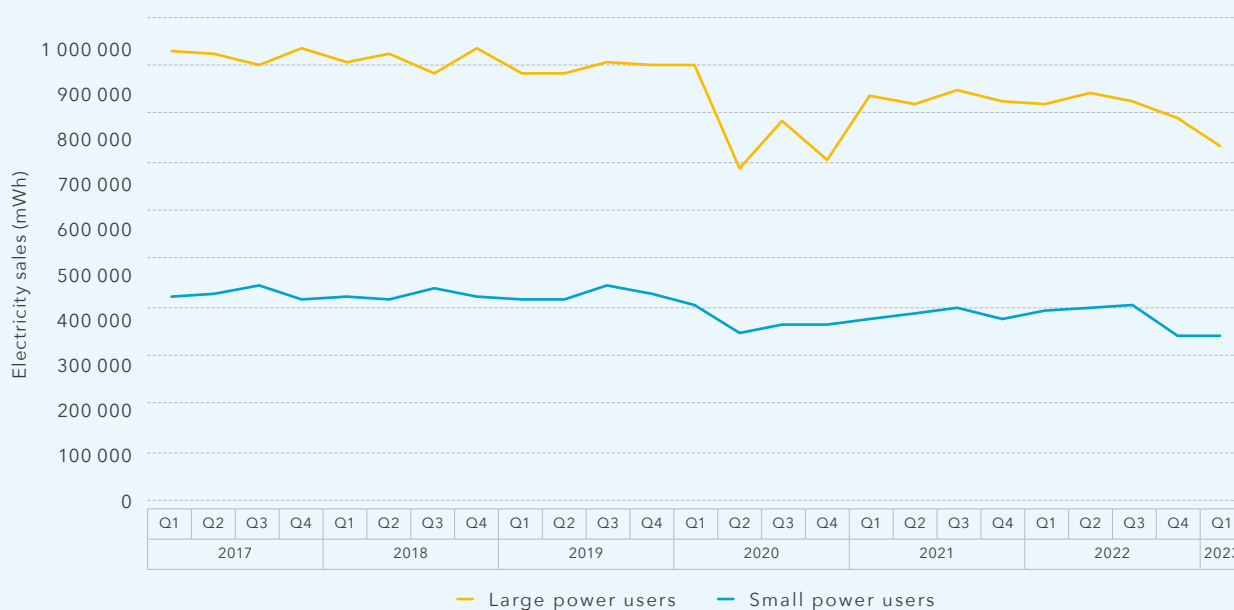
¹² While South Africa's lockdown commenced on 15 March 2020, many other countries already had restrictions in place during the first quarter of 2023.

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 14: CAPE TOWN'S COMMERCIAL ELECTRICITY USAGE, JANUARY 2017 TO MARCH 2023



Source: *Electricity Generation and Distribution, CCT, May 2023.*

Following a decrease in the previous quarter, electricity sales to LPUs declined further in the first quarter of 2023, dropping by 7,5% on a quarter-on-quarter basis. According to the Council for Scientific and Industrial Research (CSIR, 2023), there was more load-shedding in December 2022 alone than in any year since Eskom started implementing it in 2007. The energy crisis deepened further in the first quarter of 2023, with a chart released by the BER indicating that load-shedding in January and February of 2023 was more than tenfold that recorded in the same two months in the previous year (Daily Investor, 2023). This contributed significantly to the decrease in electricity sales to LPUs in the first

quarter of 2023. There was also a slight decline of 0,9% quarter-on-quarter in the City's electricity sales to SPUs. This suggests that businesses were finding it difficult to adapt to the extensive power cuts. Reduced electricity consumption by commercial and industrial customers, due to energy supply constraints, would be expected to have a negative impact on manufacturing activity in Cape Town.

Electricity sales to LPUs and SPUs in the first quarter of 2023 were also lower than in the corresponding period in 2022. LPUs recorded a decrease in electricity sales of 10,7% year-on-year, while electricity sales to SPUs declined by 13,8% 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.

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. However, tourism was one of the industries hardest hit by the Covid-19 pandemic. While travel restrictions around the world have eased, the recovery in tourism activity levels and trends has lagged.

Local data collection remains a challenge. Cape Town Tourism's (CTT) Cape Town Accommodation Performance Review & Forecast Report continues to record low survey participation rates.¹³ This may be due to lower membership levels, subsequently impacted by establishment closures, as well as constrained resources. The Cape Town Accommodation Performance Reviews (CTT, 2023a; CTT, 2023b; CTT, 2023c), covering the months of January, February and March 2023, had an average response rate of 34 tourism accommodation establishments, of which the majority are based in the Cape Town metropolitan area.

During the first quarter of 2023, the surveyed establishments recorded an average occupancy rate of 79,8%. This is on par with the recorded forecast demand (79,9%) for the period and, in line with historic trends, is higher than the occupancy rate recorded in the previous quarter. Encouragingly, the first quarter of 2023 also displayed improved performance compared to the same period in 2022 (64,3%). While the local accommodation market and its performance may be impacted by lower supply (compared to pre-Covid-19), the sustained occupancy rate recorded in the first quarter is a positive

signal for the tourism sector. The average room rate (R2 354) and revenue per room rate (R1 884) were slightly higher than the forecasted demand, and higher than in the corresponding period in previous years. These figures should, however, be viewed against a backdrop of higher inflation and operational costs.

Demand for accommodation during the first quarter of 2023 continued to be driven by the domestic market, which accounted for an average of 49% of room nights sold, while demand from travellers from within Africa constituted 10% and international travellers 42%. Among all three segments, leisure outperformed business as the main reason for travel.

Continued recovery is further evident in visitor statistics. During the first quarter of 2023, four of Cape Town's [five] major tourist attractions¹⁴ recorded a total of 803 401 visits. This quarter's performance showed an improvement of 95% when compared to the same period in 2022, and also edged closer to pre-pandemic levels, being just 5% lower than in the first quarter of 2020 and 17% lower than the same period in 2019.

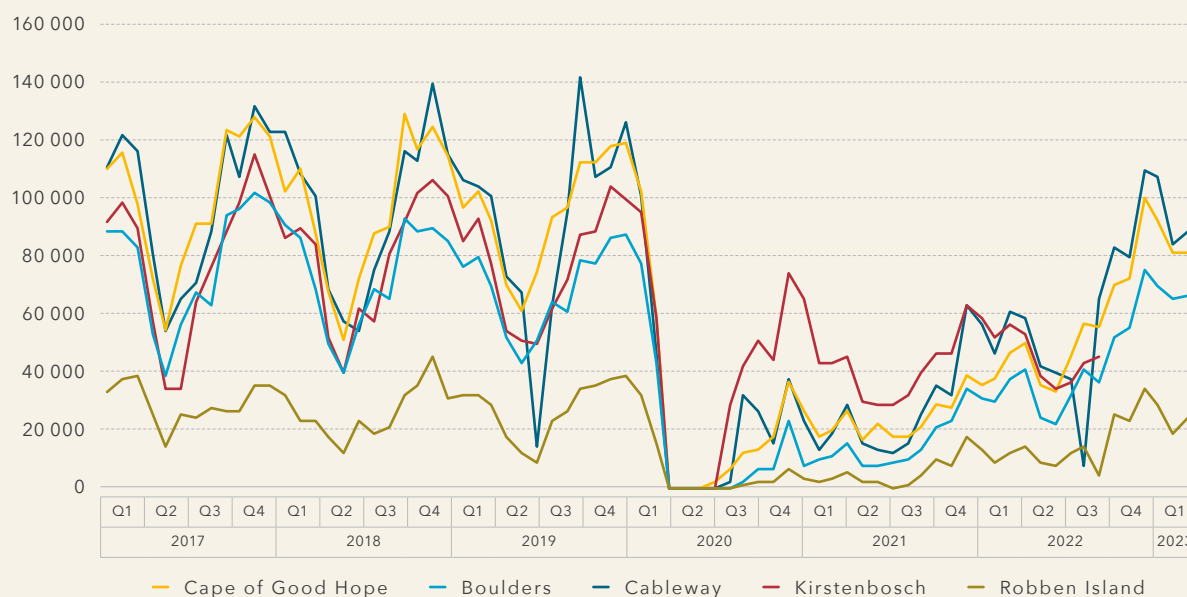
In the first quarter of 2023, Table Mountain Aerial Cableway recorded the highest number of visits (279 263), showing a year-on-year improvement of 71%. This was followed by the Cape of Good Hope, which recorded 252 157 visits, with a year-on-year improvement of 114%. Boulders Beach and Robben Island recorded 200 691 and 71 290 visits, respectively, each also improving over 100% when compared to the same period in 2022.



¹³ Prior to the pandemic, the surveys recorded averages of around 100 responses per month.

¹⁴ Includes Cape of Good Hope, Boulders Beach, Table Mountain Aerial Cableway and Robben Island. Excludes the V&A Waterfront. At the time of drafting, no data were available for Kirstenbosch National Botanical Gardens.

FIGURE 15: TOTAL (MONTHLY) VISITS TO THE TOP FIVE TOURIST DESTINATIONS OF CAPE TOWN, JANUARY 2017 TO MARCH 2023



Source: Wesgro, June 2023.

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 fall within Cape Town's

winter period. Traditionally, due to seasonality, visitor numbers remain high during the first quarter, despite a slight dip in February in line with the end of the local school holiday period.



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

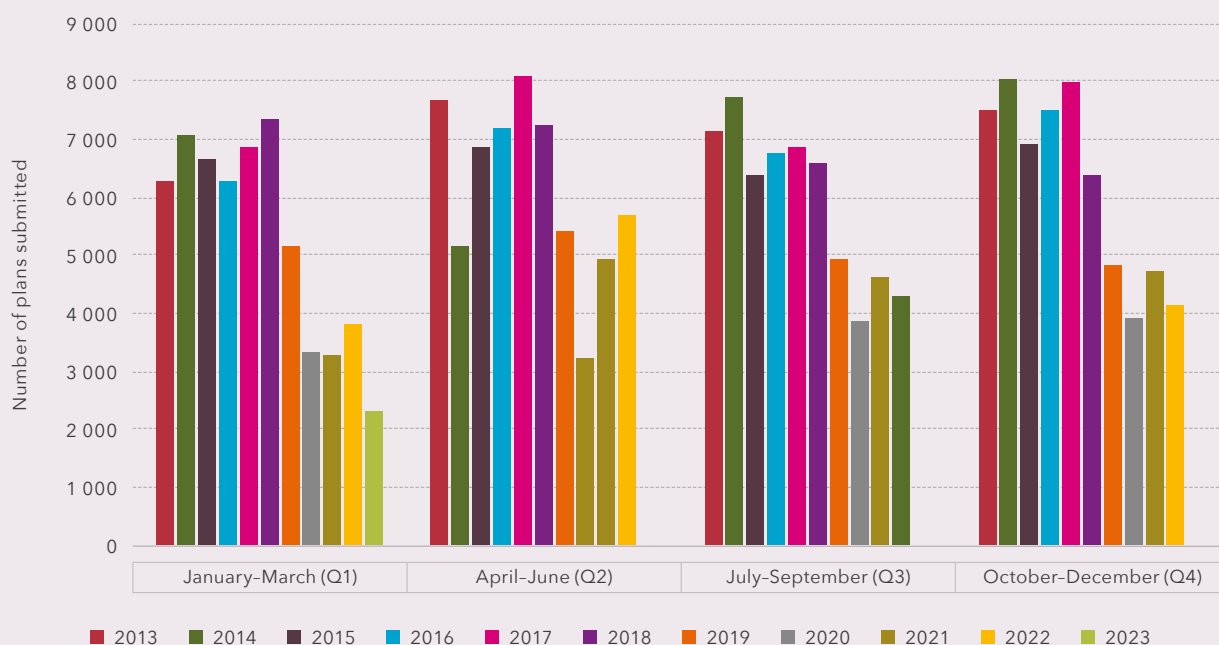
The economic growth data for the first quarter of 2023 show that national output in the construction sector improved by 1,1% quarter-on-quarter (non-annualised growth). This marked a third consecutive quarter of positive growth, and improving from that recorded in the previous quarter (0,4%). Alongside the positive quarter-on-quarter performance, the sector also recorded positive year-on-year growth of 2,8% in the first quarter of 2023, following three consecutive quarters of year-on-year contractions. The Western Cape's construction sector mirrored these national trends, recording 2,0% quarter-on-quarter growth and year-on-year growth of 2,8% in the first quarter of 2023 (Quantec, 2023).

The First National Bank (FNB)/BER Building Confidence Index¹⁵ remained unchanged in the first quarter of 2023, at 33 index points. The current level translates to 70% of respondents indicating that they are dissatisfied with the prevailing business conditions. Despite there being

no change in the overall index, movements within the sub-sectors are worth noting. While sentiment dropped among building material manufacturers (-14), architects (-8), hardware retailers (-4), main contractors (-3) and quantity surveyors (-2), it improved among building sub-contractors (+27). According to FNB, confidence among building sub-contractors recorded its highest level (57 index points) in nearly 15 years, with the "sharp increase in activity" likely attributable to increased investment into alternative energy as load-shedding persisted (BER, 2023e).

The sentiment embedded in the Building Confidence Index is often also evident in some of the City's building plans data. However, due to system upgrades,¹⁶ building plans data for the first quarter of 2023 are not suitable for such comparison. Building plan submissions totalled 2 299 for January and February 2023, while building completions (rand value) totalled 1 279, with a value of R1,46 billion (CCT, 2023c).

FIGURE 16: BUILDING PLANS SUBMITTED TO THE CITY OF CAPE TOWN, 2013 Q1 TO 2023 Q1



Source: Development Management Department, CCT, May 2023.

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

¹⁵ 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.

¹⁶ The City of Cape Town's Development Application Management System (DAMS) was switched off on 20 February 2023 for an upgrade to be implemented. At the time of publishing, no data could be extracted for March 2023.





NEW VEHICLE SALES

At 16 253 units sold, total vehicle sales in the Western Cape in the first quarter of 2023 increased by 2,6% (417 units) from 15 836 units sold in the fourth quarter of 2022. On a year-on-year basis, vehicle sales increased by 3,4% (532 units) from 15 721 vehicles sold in the same period of 2022. Passenger vehicle sales in the Western Cape, which represents the private consumer segment of the market, recorded a slight increase from 10 919 vehicles in the fourth quarter of 2022 to 11 207 vehicles sold in the first quarter of 2023. The year-on-year results showed a small increase of 0,3% (31 units) from 11 176 vehicles sold in the first quarter of 2022. At a national level, passenger vehicle sales reported a year-on-year decrease of 1,8% (1 622 units) from 91 594 units in the first quarter of 2022 to 89 972 units in the first quarter of 2023.

According to the fourth quarter review by the National Association of Automobile Manufacturers of South Africa (naamsa), the muted quarter-on-quarter performance

reflects “a stressed business and consumer environment” (naamsa, 2023).

TransUnion’s Vehicle Pricing Index (VPI) report further highlights the challenging consumer market, with rising prices alongside diminishing disposable income. In addition, subdued consumer confidence impacts negatively on new finance agreements. Despite the market’s performance in the first quarter of 2023, the used-to-new ratio continued its slow decline, recording 1,86, compared to 1,98 in the previous quarter. After increasing in the previous quarter, the VPI¹⁷ for new vehicles recorded a drop in the first quarter of 2023, from 7,0% to 6,3%. Similarly, the VPI for used vehicles recorded 8,1% in the first quarter of 2023, declining from the 9,2% recorded in the previous quarter. The higher-than-inflation price increases reflect continued strain on the supply of quality used vehicles (TransUnion, 2023).



¹⁷ 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

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
GVA:	gross value added
GWh:	Gigawatt hours
HS:	Harmonized 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
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
USD/US\$:	United States dollar
USD/T:	United States dollar per ton
VPI:	Vehicle Pricing Index
WC:	Western Cape
WEO:	World Economic Outlook
ZAR:	South African rand

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