



CITY OF CAPE TOWN
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Economic Performance Indicators for Cape Town



2022 QUARTER 2

(April-June)

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ACKNOWLEDGEMENTS

The EPIC quarterly publication is a collaboration between the Enterprise and Investment, and Policy and Strategy departments of the City of Cape Town. The EPIC publication presents and analyses economic (and related) trends in Cape Town on a quarterly basis.

This edition focuses on the second quarter of 2022, covering the period
1 April to 30 June 2022.

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FOREWORD

In the second quarter of 2022, I proudly shared that the City had approved the R713 million Economic Growth budget. The budget plots a roadmap for bolstering Cape Town's small businesses and industries, and increasing Capetonians' pathway to jobs. It demonstrates our deep desire to get the basics right and build on our economic manifesto.

It came at a critical point for South Africa. Though the official unemployment rate shrank, it was still nightmarishly high; while provincial GDP contracted, mirroring the national trend.

This situation was worsened by ongoing load-shedding which, by the second quarter of this year, had deteriorated to regular bouts of stage 6 outages.

"...between February and July 2022, the City protected its customers from 722 hours of Eskom load-shedding."

Against this difficult backdrop, it was important that our local government budget set out to expand on our efforts to stoke growth by amplifying Cape Town's investment potential, supporting skills development initiatives, and helping individuals and local businesses to access opportunities.

The budget includes:

- R55 million set aside for our Jobs Connect and Cape Employment Accelerator programmes focusing on work placement and skills, especially for young people;
- R424 million earmarked for investment promotion;
- R53 million allocated, over the next three years, to the continued development of Cape Town's informal economy space; and
- R181 million for direct economic incentives to attract jobs and investors to Cape Town.

This growth-focused budget will allow us to build on the successes of platforms such as our Investment Facilitation Branch, and to continue to support our growth coalition partners working in specific industries.

These initiatives have helped to secure R20,5 billion in investments and thousands of jobs since 2018. Cape Town has become globally sought after as a location for greentech call centres and IT industries, among others. It has also risen steadily in rankings such as the Global Financial Centres Index.

The City is proud to have initiated actions that have mitigated the worst effects of load-shedding. By harnessing the Steenbras hydro pumped storage scheme, City customers have been protected from up to two stages of load-shedding where possible. In fact, between February and July 2022, the City protected its customers from 722 hours of Eskom load-shedding. Further measures in this regard include a tender for the engineering, procurement and construction of a solar power plant in Atlantis

that is scheduled to start generating electricity in 2024, and be in operation for 20 years, with a foreseen annual output of 14,7 GWh. More such plants are planned across the metro. The City has also issued its first tender in the new Renewable Energy Independent Power Producer Programme (REIPPP), which entails buying 200 MW from IPPs within the City's electricity supply area.

We do this work to keep the lights on for businesses in order to power up our economy. The solar power plant at Atlantis alone is forecast to result in a R47,2 million gross domestic product increase once fully operational.

This City remains committed to enacting measures that will enable development and that inspire an economy of hope and confidence. We will do this through collaboration, innovation, and proactivity, so that we can realise our goal of a better tomorrow for all Capetonians.



Alderman James Vos

Mayoral Committee Member
for Economic Growth

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INTRODUCTION

In this 37th edition of the quarterly EPIC publication, we present statistics and analyses of Cape Town's key economic trends. This edition focuses on quarter 2 of 2022, covering the period 1 April to 30 June 2022.

While the GDP in the Western Cape, a proxy for GDP in Cape Town, showed positive quarter-on-quarter growth in the previous two quarters, extensive load-shedding and devastating floods in KwaZulu-Natal impacted negatively on the second quarter of 2022. Seasonally adjusted and annualised provincial GDP growth for the period dropped to -2,6%, in line with national performance of -2,9%. This quarterly dip in output once again increased the gap between pre-Covid (2019 Q4) and 2022 Q2 GDP levels to -0,35%, after pre-Covid output had been exceeded in the first quarter of 2022.

The sectors that contributed most to the decline in the second quarter were agriculture and manufacturing. This is unsurprising considering the dependence of these industries on energy availability. June 2022 saw the national Energy Availability Factor (EAF), which is the percentage of installed capacity available to the grid, hovering just above 55%. This is the second-lowest level on record.

For the second quarter as a whole, however, the City saw marginal quarter-on-quarter increases in its electricity sales. This is due, in part, to companies adapting to load-shedding restrictions and the positive impact of the Cape Town Steenbras pumped storage scheme, which supplements City electricity supplies.

Finance, real estate and other business services, as well as transport and communication, were the only two sectors to experience positive quarterly growth in the Western Cape in the second quarter of 2022. Together these two sectors make up 44% of the Cape Town economy, compared to 38% of the total Western Cape economy. This would suggest that Cape Town's GDP growth is likely to have performed better than provincial GDP growth for the quarter. This is further corroborated by the poor performance of the agricultural sector, which contributes three times more to provincial GDP than it does to Cape Town GDP.

The stop-start recovery of economic output has played out in the labour force in the form of varying employment trends and steadily rising unemployment.

Although the Quarterly Labour Force Survey (QLFS) reported that Cape Town employment levels in the second quarter of 2022 reached 1,49 million, the highest level in two years, this figure is still around 91 000 less than it was in quarter 2 of 2019 (pre-Covid). The rise in employment levels, however, are not being met with a decline in unemployment levels, which reached their highest level on record (683 000), resulting in the broad unemployment rate reaching 31,3%. This was an increase of 1,5 percentage points from the second quarter of 2021.

Encouragingly, there were less discouraged work seekers in the second quarter of 2022, meaning more people are actively seeking employment, although they remain in the unemployed category. This could be due to a perceived increase in opportunities as the economy fully re-opened and the Covid-induced national state of disaster ended in April 2022. Another possible explanation is that people relying on the Social Relief of Distress (SRD) grant had to re-apply for the grant in April as it fell under new legislation, resulting in April grants only being paid out in July. This may have motivated more people to look for work in the second quarter, especially as their temporary lack of grant income came at a time of significant cost of living increases.

National inflation in the second quarter soared to a 14-year high of 7,4%, exceeding the South African Reserve Bank (SARB) upper inflation limit of 6%. Inflation in the Western Cape was atypically lower, at 7,1% for the quarter, but still above the target range. This increase can largely be attributed to the higher prices of fuel and food, aggravated by the war in Ukraine, which continues to place upward pressure on overall prices. The Monetary Policy Committee responded to the increase in CPI by increasing the repo rate by 50 basis points in the second quarter. Further increases in inflation have led to additional increases in the repo rate, amounting to 150 basis points between July and September 2022, aimed at keeping inflation and exchange rates in check.

National PPI also rose significantly to 14,7%, which is double the CPI figure. This was primarily due to rising commodity prices. Cape Town's role in exporting commodities such as oil and coal has meant that the city has benefited from robust prices, although import values also reached their highest level ever

in the second quarter, due to higher oil prices. The markedly higher global commodity prices, however, are also associated with sharply rising production costs in the domestic economy.

As a result of continuous pressure in the global environment, and the associated domestic constraints, the negative growth in the second quarter has lowered the annual growth outlook for South Africa to 2% in 2022, with Cape Town expected to be slightly higher. However, when the state of disaster was lifted in the second quarter, there was a shift in household spending towards services, with hotels and restaurants recording strong trade volumes and Cape Town attractions all experiencing year-on-year increases. Second quarter results showed that Cape Town was insulated against many of the shocks that the quarter delivered, with tertiary sectors delivering strong performances. This is unlikely to be sustained by domestic consumers alone and innovation in attracting spending, such as the digital nomad campaigns, can assist in the recovery of labour-intensive tourism-related industries.

The third quarter of 2022 is the first period since the last quarter of 2019 in which the economy will be fully open for an entire quarter without any Covid-19 restrictions. The hope is that the result of this will be heightened economic activity and good levels of associated job creation. Growth expectations should, however, be tempered by the particularly high incidence of load-shedding in the quarter.

Jodie Posen

Senior Economist: Economic Analysis

NOTE

For this edition, it is important to be mindful that year-on-year changes (i.e. comparing data in the analysis period to that of the second quarter of 2021) could be elevated due to the impact of Covid-19 and the lockdown restrictions on economic activity and recovery. For this reason, several chapters in this edition may include comparisons to the second quarter of 2020 or 2019 to provide insight into whether the respective market conditions have recovered or worsened when compared to pre-pandemic levels.

KEY FINDINGS FOR THE SECOND QUARTER OF 2022

The Western Cape economy recorded a GDP contraction of 2,6% quarter-on-quarter, mirroring the national trend. The contraction was mainly driven by agriculture (-29,2%), while only two sectors recorded positive growth during the quarter.

The Western Cape recorded an inflation rate of 7,1% at the end of the second quarter of 2022, a significant increase from the 5,6% shown at the end of the previous quarter. The national inflation rate was recorded at 7,4%.

Cape Town's top five tourist attractions recorded a total of 499 007 visits for the period. This represented a year-on-year improvement of 89,9%, while visitor numbers remain 42,2% lower when compared to the same period in 2019.

Cape Town accommodation establishments recorded an average occupancy rate of 50,8%. Despite the improvements in the market, the industry remains subdued, with persistent low numbers of international visitors.

Cape Town International Airport recorded 1 857 218 air passenger movements. While this represents a year-on-year improvement of 55,3%, it remains 26,5% lower when compared to the same period in 2019.

Cape Town's trade, on a quarter-on-quarter basis, recorded an increase in exports and imports in the second quarter. Exports were mainly led by refined petroleum oils. On a year-on-year basis, exports for the quarter showed a decrease of 2,7% from levels shown in the second quarter of 2021, however, they were 29,3% higher than the same period in 2019.

The City of Cape Town recorded a year-on-year increase in building plan submissions to 5 694. The total value of building completions was higher than the same period in 2021 (16,6%) as well as 2019 (4,6%).

01





OVERVIEW

CAPE TOWN OVERVIEW 2022: QUARTER 2

GROSS DOMESTIC PRODUCT (GDP)

The **Western Cape** accounted for **R648 billion^a** of the **R4,6 trillion gross domestic product (GDP)** generated by **South Africa** in the second quarter of 2022. 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**

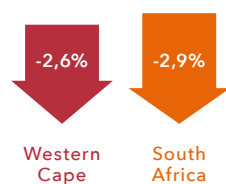


^a At constant 2015 prices, seasonally adjusted and annualised. Source: Quantec, 2022.

^b Source: IHS Markit, 2022.

GDP GROWTH RATE

During the second quarter of 2022, the **Western Cape** recorded a quarter-on-quarter **GDP contraction** of **-2,6%**, compared to **national GDP contraction** of **-2,9%^c**.



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

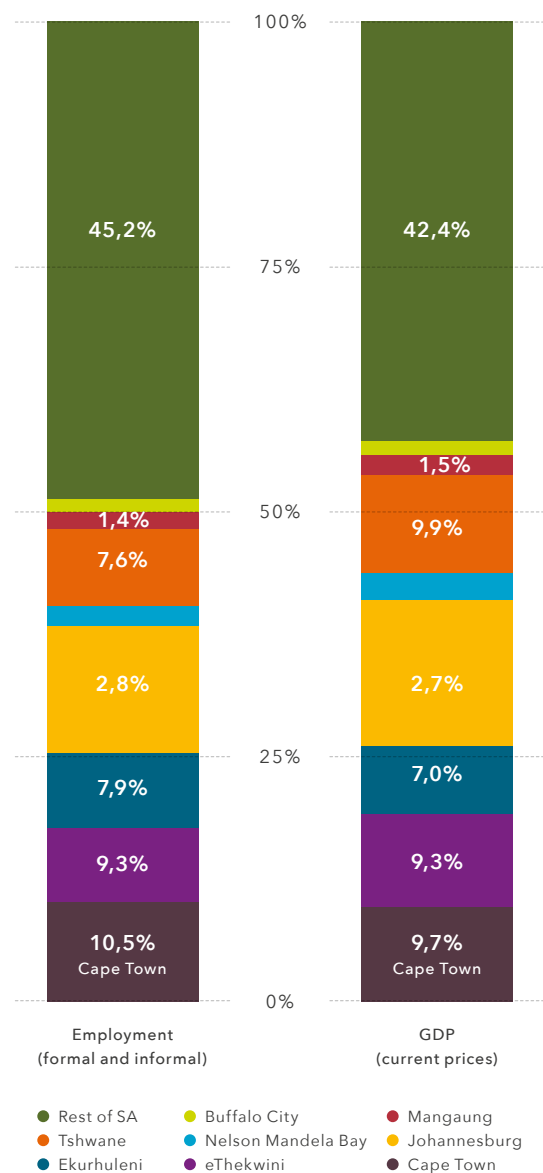
GDP PER CAPITA

In 2021, **South Africa** had a **GDP per capita** of **R103 198**, while the **Western Cape's GDP per capita** was **R123 709** and **Cape Town's** was **R135 580.^d**

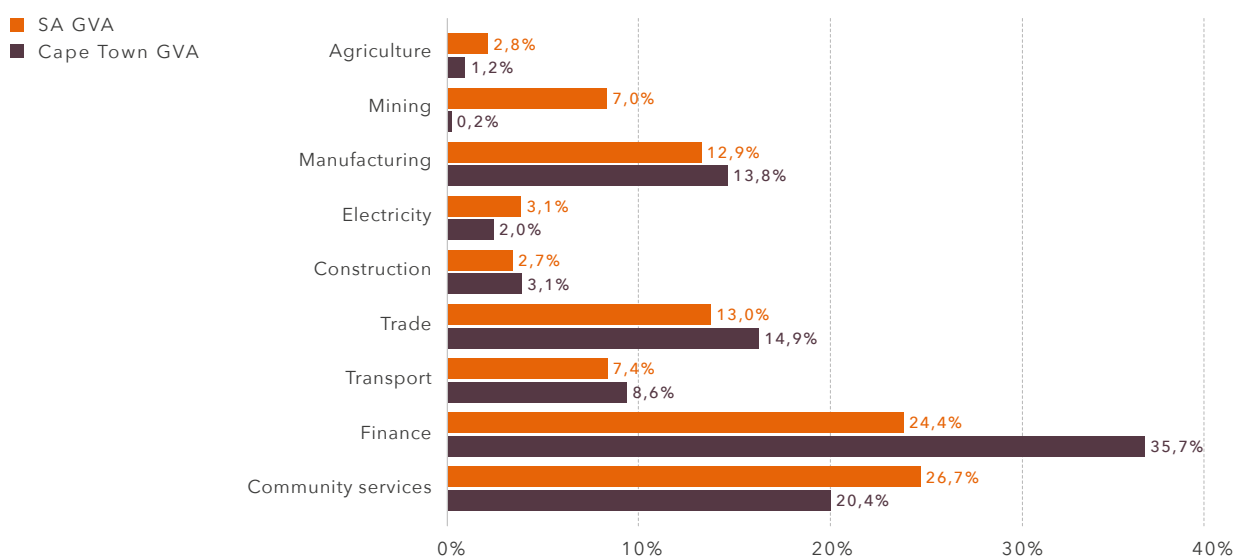


^d At current prices. Source: IHS Markit, 2022.

CAPE TOWN GROSS GEOGRAPHIC PRODUCT AND EMPLOYMENT CONTRIBUTIONS TO SA, 2021^e



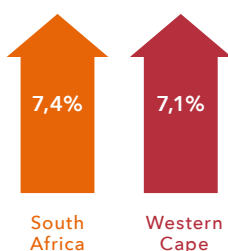
^e At current prices. Source: IHS Markit, 2022.

CAPE TOWN GROSS VALUE ADDED (GVA) VERSUS NATIONAL GVA, 2021^f

^f At current prices. Source: IHS Markit, 2022.

INFLATION

At the end of the second quarter of 2022, **South Africa** had an inflation rate of **7,4%**. The **Western Cape's** inflation rate for the same period was **7,1%**.^g



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

POPULATION

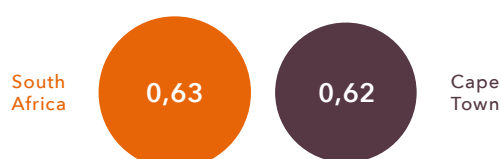
South Africa has a population of **60 142 978**. A total of **7 113 776 people** (11,8% of the national population) live in the **Western Cape**. Of those, **4 678 900** are residents of **Cape Town**.^h



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

GINI COEFFICIENT

In 2021, **South Africa** had a Gini coefficient of **0,63**, while **Cape Town** had a slightly lower value of **0,62**.ⁱ



ⁱ Source: IHS Markit, 2022.

VISITOR ATTRACTIONS

In the second quarter of 2022, tourists and residents made **499 007** visits to **Cape Town's** five major attractions.^j



^j Source: Wesgro, 2022.

AIR PASSENGER MOVEMENTS

1 857 218 passengers moved through **Cape Town International Airport** during the second quarter of 2022.^k

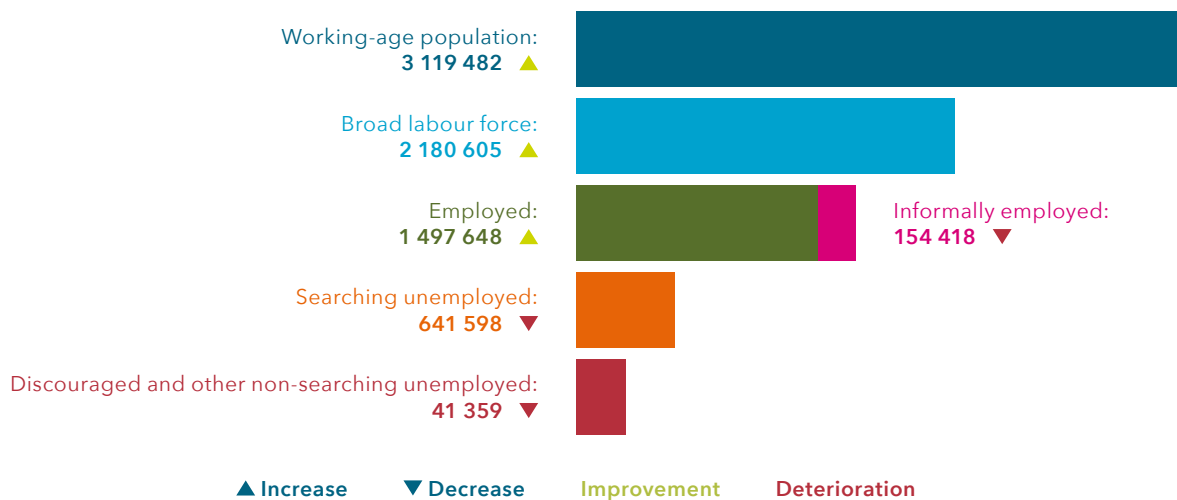


^k Source: Airports Company South Africa, 2022.

LABOUR OVERVIEW

2022: QUARTER 2

LABOUR INDICATORS, 2022 Q2 (QUARTER-ON-QUARTER CHANGES)

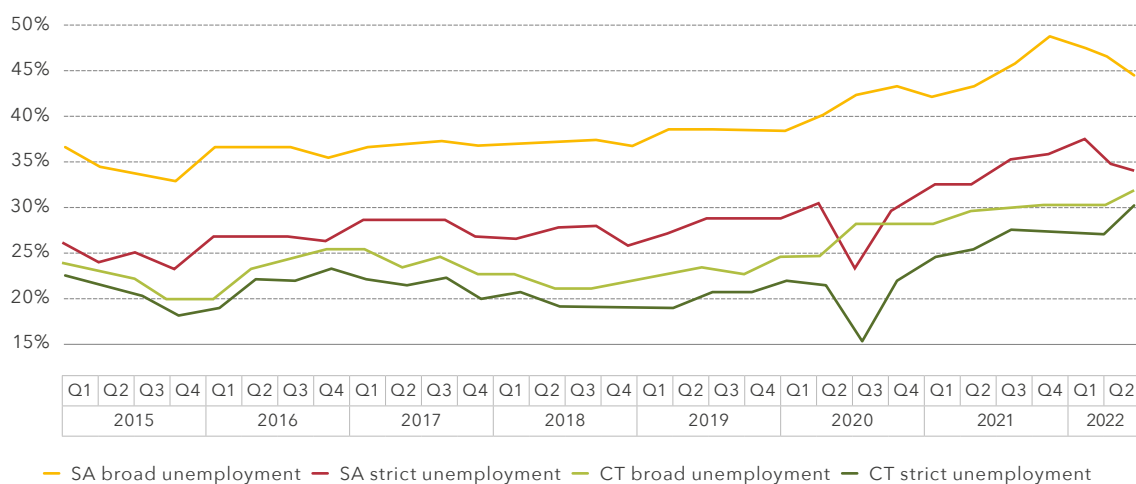


Labour force participation rate (strict) = 68,6%

Absorption rate = 48%

Source: Statistics South Africa, Quarterly Labour Force Survey, 2022 Quarter 2, August 2022.

STRICT VERSUS BROAD UNEMPLOYMENT RATES FOR SOUTH AFRICA AND CAPE TOWN, 2015 Q1 TO 2022 Q2¹



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

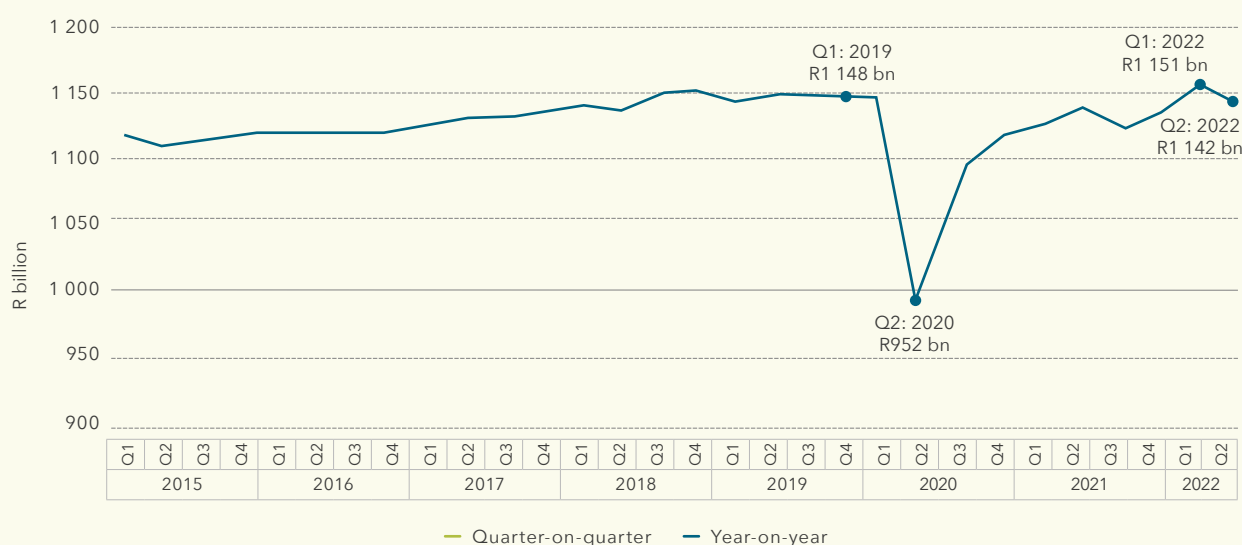
Gross domestic product (GDP) growth is one of the most widely used measures of economic performance in a country or region. It provides an indication of the level of value-added production that takes place in an economy during a specific period. Large cities such as Cape Town are typically the loci of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

SOUTH AFRICA'S QUARTER-ON-QUARTER ECONOMIC PERFORMANCE

Following two quarters of positive growth, the South African economy recorded a contraction of 0,7% quarter-on-quarter (non-annualised, as per the change in Statistics South Africa's reporting conventions).² This represents a deterioration of 2,4 percentage points from the previous quarter (which was revised downward by 0,2 of a percentage point to 1,7%). The performance in the second quarter was in line with the Bloomberg

consensus (-0,8%), while somewhat worse than the Bureau for Economic Research's (BER) expectation for a contraction of 0,5% (non-annualised). According to the BER, the weaker results present downside risk to the GDP forecast for the full 2022 year. As illustrated in figure 1, real GDP has slipped to below pre-pandemic (2019 Q4) levels (BER, 2022a).

FIGURE 1: SOUTH AFRICA'S REAL GDP (CONSTANT 2015 PRICES, SEASONALLY ADJUSTED), 2015 Q1 TO 2022 Q2



Source: Statistics South Africa, Gross domestic product, Second quarter 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

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.

For the second quarter of 2022, the national economy recorded an annualised contraction of 2,9% quarter-on-quarter, worsening by 10,1 percentage points from the previous quarter (which was revised downward by 0,8 of a percentage point to 7,2%) (Quantec, 2022). According to analysts, this performance was negatively impacted by prolonged industrial action in the mining sector, extensive load-shedding, as well as the devastating floods in KwaZulu-Natal during the quarter.

Driving the overall performance, seven sectors, at the national level, recorded contractions during this quarter. The largest contraction was seen in the agriculture sector (-27,4% quarter-on-quarter), which subtracted 0,9 of a percentage point from the total national growth rate. Notably, the sector's growth figures in the previous quarter were drastically revised downward (by 12,4 percentage points, to record -9,4% quarter-on-quarter growth for 2022 Q1), making this the second consecutive quarterly contraction in the sector. The manufacturing sector contracted by 21,7% quarter-on-quarter and subtracted the most from the total national growth rate, with -3,0 percentage points. The construction sector recorded its fifth consecutive contraction, with -9,1% quarter-on-quarter, subtracting 0,2 of a percentage point from the total growth rate. Further negative quarter-on-quarter performances were recorded in the trade and hospitality (-6,0%), general government services (-5,4%), and electricity and water (-4,7%) sectors, which subtracted a combined 1,4 percentage points from the total national growth rate.

There are a number of other indicators of the current challenging economic climate and the economy's

strained path of recovery. After an increase in the previous quarter, the RMB/BER Business Confidence Index dropped 4 index points to record 42 index points in the second quarter of 2022. According to the BER, the low sentiment is due to various shocks to the economy over the past year, while "many uncertainties remain" (BER, 2022b). The FNB/BER Consumer Confidence Index also remains significantly low, plunging from -13 to -25 index points in the second quarter of 2022. While South Africa no longer has pandemic-related restrictions in place, the weak consumer sentiment is attributed to the deterioration in the economic outlook and the notable drop in households' financial prospects (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 improvement throughout the previous quarter (to 60,0 index points by March), the Absa PMI recorded a sharp drop in April to record 50,7 index points. The index then improved somewhat to 54,8 index points in May, before declining again to 52,2 index points in June. Despite recording gains in April and May, the Absa PMI's component tracking expectations of business conditions in six months' time lost all of these to record 53,8 index points in June, the lowest recording for the year to date. The BER notes that the last of the quarter's surveys took place prior to the increased load-shedding implemented by Eskom, with these low sentiments attributed to slowing growth, including that of some of the country's key trading partners (BER, 2022d).

A GLOBAL COMPARISON OF ECONOMIC PERFORMANCE IN THE SECOND QUARTER

After entering 2022 in a weaker-than-expected position (IMF, 2022a), the global economy continued to face setbacks on its path to recovery. In addition to the negative spill-overs from the war in Ukraine, worldwide inflation has been exceeding expectations, while China – a major producer and consumer in the global economy – has experienced a significant slowdown (IMF, 2022b).

After recording global economic output at 6,1% for 2021 in its World Economic Outlook, the IMF (2022b) revised its forecast downward for 2022 and 2023 to 3,2% and

2,9%, respectively, from the previous projections of 3,6% in each year. The forecast for 2022 is underpinned by a downwardly revised growth forecast for advanced economies to 2,5% (down by 0,8 of a percentage point compared to its WEO Update of April 2022). In addition, its forecast for emerging and developing economies has been downwardly revised (by 0,2 of a percentage point) to 3,9%. In contrast, for South Africa the IMF has revised its forecasts upward, anticipating growth of 2,3% in 2022, while the forecast for 2023 remains unchanged at 1,4%.

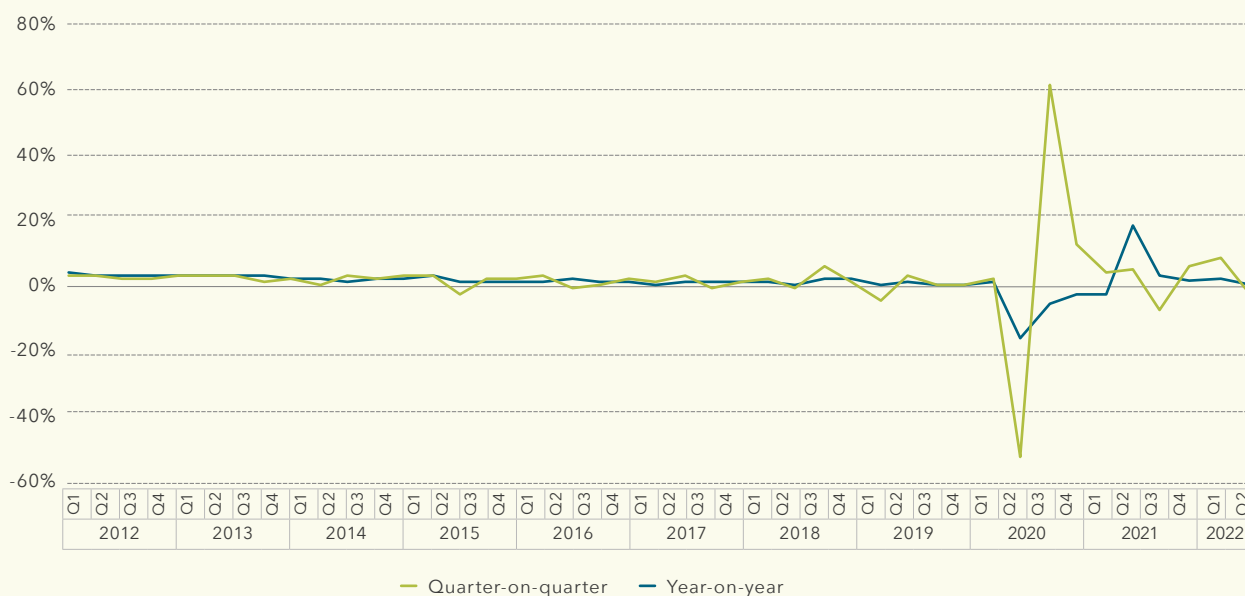
WESTERN CAPE AND CAPE TOWN ECONOMIC PERFORMANCE

The Western Cape economy contributes around 14% of South Africa's gross domestic product (GDP). In line with the national economy's performance (-2,9%), the Western Cape economy recorded an annualised contraction of 2,6% quarter-on-quarter for the second 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 second quarter of 2022, recording 0,5%, while the Western Cape economy recorded year-on-year growth of 0,7%. The slowdown in year-on-year growth is the result of the majority of sectors – both at the national and provincial levels – recording year-on-year contractions in the quarter under review.

FIGURE 2: REAL GDP GROWTH FOR THE WESTERN CAPE, 2012 Q1 TO 2022 Q2



Source: Quantec, 2022.

As at the national scale, the agriculture sector recorded the largest sectoral contraction in the province, with -29,2% quarter-on-quarter, subtracting 1,3 percentage points from the provincial growth rate. This was followed by the manufacturing sector's contraction of 22,2% quarter-on-quarter, which subtracted the most (-3,4 percentage points) from the provincial growth rate. Following two quarters of [positive] growth, the manufacturing sector also recorded the highest decline from the previous quarter (-43,4 percentage points). The mining sector also contracted sharply (-21,9% quarter-on-quarter). However, due to its relatively small share

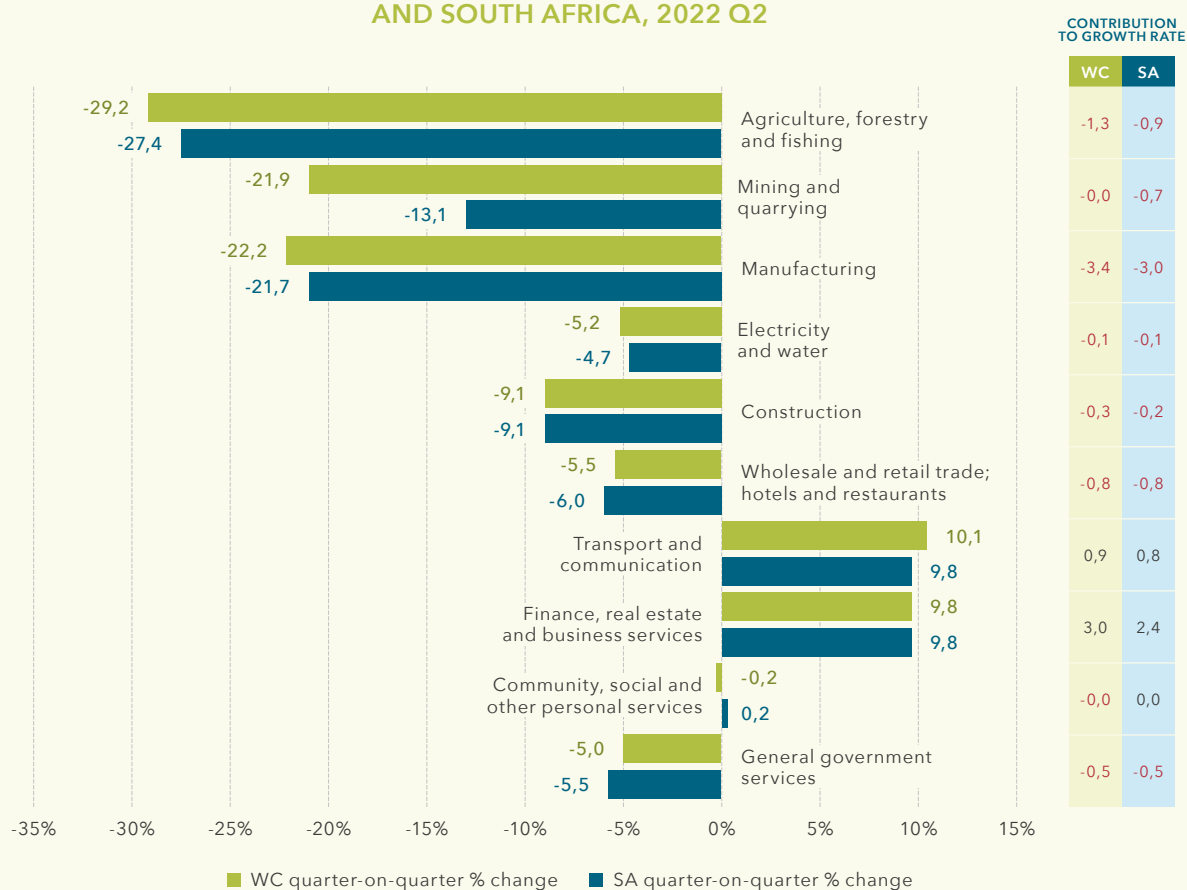
of the provincial economy (0,1%), its contraction had minimal impact (-0,03 of a percentage point) on the total provincial growth rate.

The construction sector continued on its downward trajectory and recorded its fifth consecutive quarter-on-quarter contraction (-9,1%). Contractions were also recorded in the trade and hospitality (-5,5%), electricity and water (-5,2%), general government services (-5,0%), and community, social and personal services (-0,2%) sectors. These subtracted a combined 1,7 percentage points from the total provincial growth rate.

At the provincial level, only two sectors recorded [positive] growth in the second quarter of 2022. The transport and communication sector grew by 10,1% quarter-on-quarter, followed by the finance, real estate and business services sector (9,8% quarter-on-quarter). Despite the latter being the largest sectoral contributor to the provincial economy, the combined

impact (3,8 percentage points) on the total provincial growth rate was insufficient to outweigh the negative impact of other sectoral contractions during the quarter. Overall, the fluctuating performances of many sectors indicate that they have not yet stabilised, which can also be attributed to the impact of geopolitical tensions, which are affecting economic recovery.

FIGURE 3: SECTORAL REAL GDP-R GROWTH RATES IN THE WESTERN CAPE AND SOUTH AFRICA, 2022 Q2



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

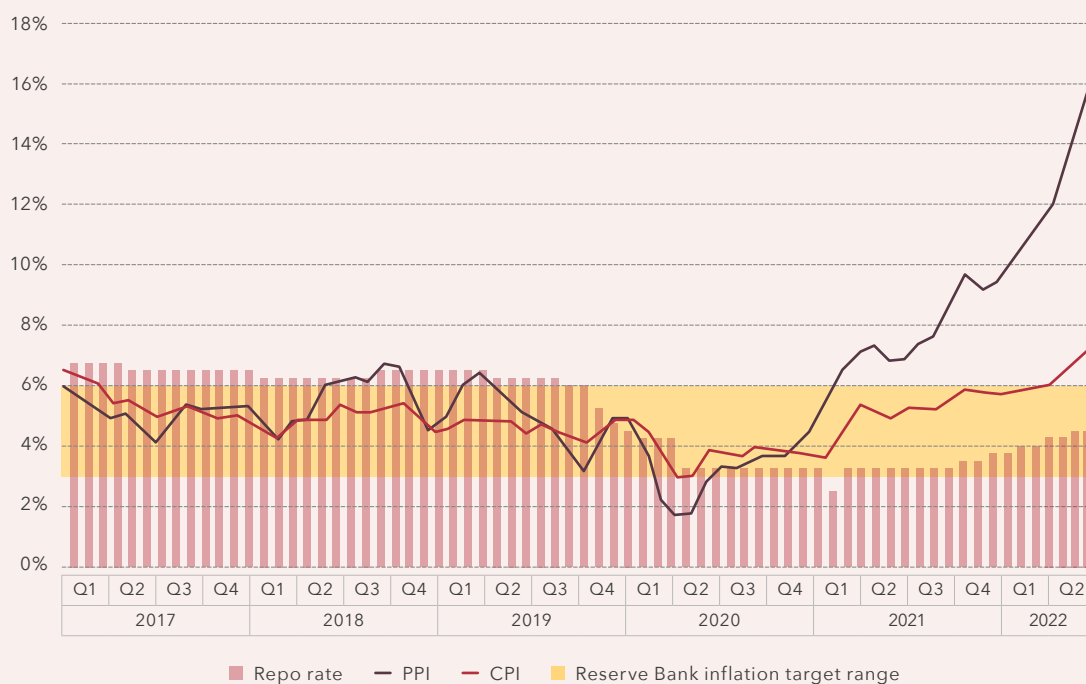
At the end of the second quarter of 2022, the CPI accelerated to 7,4% compared to the 5,9% recorded at the end of the first quarter. This is the highest recording since May 2009 (8,0%), in other words, a 13-year high. As illustrated in figure 4, the CPI increased from the 5,9% April figure to 6,5% in May and further to 7,4% in June. By the end of May 2022, the CPI breached the upper end of the inflation target range (6%) for the first time since the first quarter of 2017 (Stoddard, 2022a). According to Statistics South Africa (2012-2022), the main contributors to the overall CPI inflation rate for June 2022 included: transport; food and non-alcoholic beverages; housing and utilities; and miscellaneous goods and services.

According to the Monetary Policy Committee (MPC) statement of May 2022 (SARB, 2022) headline inflation outlook for 2022 was revised upwards from 5,8% to 5,9%. The main reasons for this revision are the higher prices of food and fuel, placing upward pressure on [overall] prices. The outlook for 2023 has improved with headline inflation expected to return to 5% as fuel price increases are anticipated to ease. However, the MPC noted that the

Russian-Ukraine war is likely to continue for the remainder of the year and could have significant impacts on oil and other global prices. As such, the MPC believes that risks to the inflation outlook remain high and it will closely monitor these [upward] risks to inform future decision making.

For the second quarter of 2022, the PPI⁴ recorded an increase to an average of 14,7%, after averaging 10,8% in the previous quarter. The index recorded monthly readings of 13,1% in April, increasing to 14,7% in May and rising again to 16,2% in June 2022. Since the start of the second quarter of 2021, the PPI has stayed above the upper end of the inflation target range (6%) and, in fact, increased to well above that level. The PPI recording for June 2022 is the highest it has been in nearly 14 years (Stoddard, 2022a). The main inflationary contributors to the PPI in June (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.

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



Source: CPI and PPI, extracted from Statistics South Africa, 2012-2022; repo rate extracted from SARB, 2022.

⁴ According to Statistics South Africa (2012-2022), the PPI from, and including, January 2021 has been reweighted. Noted, however, is that the reweighting will not affect the calculations of the basket.

Since December 2020, the gap between the CPI and the PPI has increased significantly from 0,1 of a percentage point to 8,8 percentage points in June 2022, the largest gap to date. The notably higher PPI contributed to CPI increasing beyond the upper end of the inflation target range, indicating the spill-over effect of PPI on CPI.

Figure 4 illustrates changes in the repurchase rate (repo rate). As indicated in the graph, the repo rate increased once during the second quarter of 2022 by a total 50 basis points. This took the repo rate to 4,75% from a previous 4,25%. According to the MPC statement of May 2022 (SARB, 2022), key reasons for this decision were

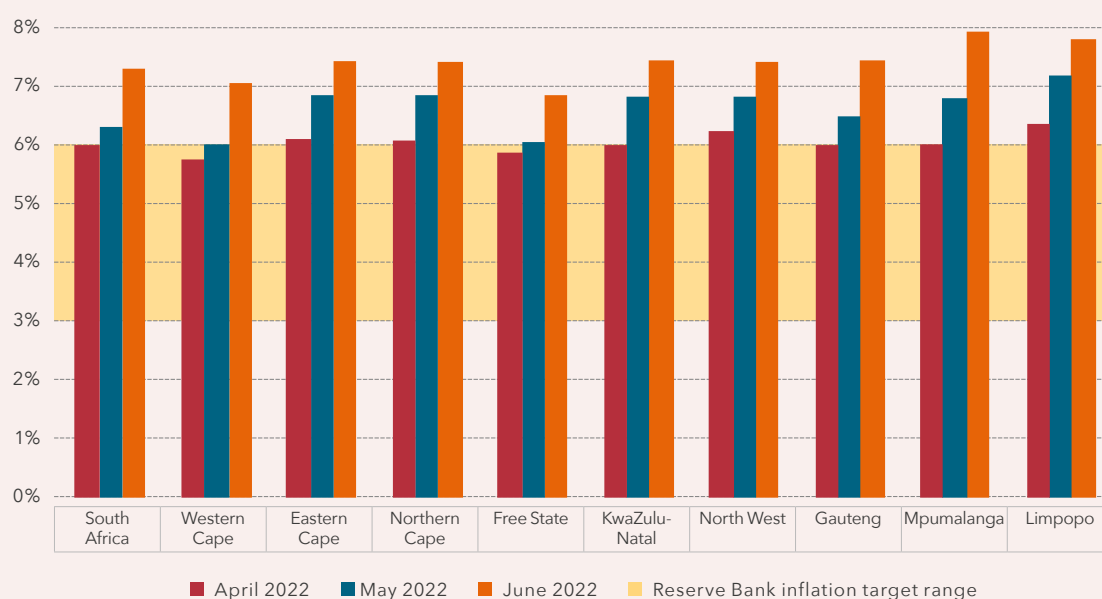
the steady incline recorded in headline inflation and the upward pressure on inflation expectations from food and fuel prices, aggravated by the war. Further concerns that carried weight in the decision were currency volatility, weakening of global economic conditions, as well as global policy accommodation and supply shortages that placed upward pressure on global commodity 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 7,1% at the end of the second quarter of 2022. While this is lower than that of the country, it is higher than the 5,9% at the end of the preceding quarter. Also, this is the first time the province has breached the 6% mark since November 2017. Figure 5 illustrates inflation rates recorded in the second quarter of 2022 across all nine provinces of the country. Compared to the end of the first quarter of

2022, all provinces experienced significant inflationary increases. At the end of June 2022, all the provinces have moved beyond the upper end of the inflation target range. Limpopo recorded the highest inflation rate for the quarter under review, with an average of 7,2%, followed by the Northern Cape (6,9%) and the Eastern Cape (6,8%). Contrary to historical trends, the Western Cape recorded the lowest average inflation rate of 6,3% for the period.

FIGURE 5: CPI INFLATION RATE AT A PROVINCIAL LEVEL, APRIL TO JUNE 2022



Source: Statistics South Africa, September 2022.

As indicated in figure 6, for both South Africa and the Western Cape, the higher [overall] inflation recordings for the second quarter of 2022 can largely be attributed to transport inflation, which recorded an average inflation rate close to 17%. Further upward pressure can be attributed to the food and non-alcoholic beverages category, as well as alcoholic beverages and tobacco, as both categories recorded inflation above the upper end of the target range of 6% for the country and the province.

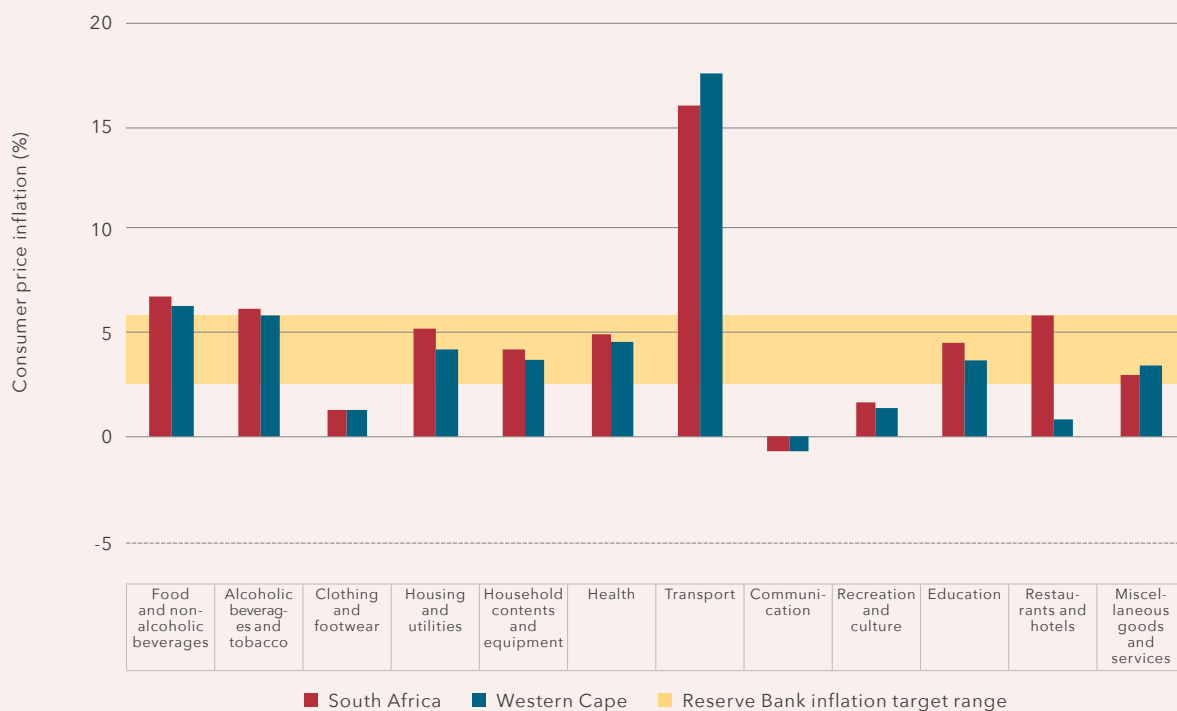
The Western Cape recorded a lower average inflation rate in eight of the 12 broad categories, when compared to that seen at national level. This explains the lower [overall] inflation rate recorded for the province.

Transport price inflation was 19,2% on a national level and even higher on a provincial level (21,6%) for June 2022.

This was largely driven by [its subcategory of] fuel price inflation for both the country and province. Fuel price inflation for June was slightly higher at a provincial level (45,7%) compared to 45,3% at a national level. According to Stats SA (2022b), this rise in fuel price inflation represents the largest annual increase for fuel since the current CPI series began in 2009.

Further comments pointed to the fact that the price of petrol is not solely responsible for this acceleration. Other subcategories that recorded considerable price increases in the quarter were used vehicle prices (increased to 11,1% in June) and public transport costs (up to 14,3% in June from 4,3% in May). Stats SA also highlighted the monthly increases recorded in taxi fares (2,7%), airfares (7,1%) and long-distance bus trips (11,7%), which added to the upward pressure on public transport costs.

FIGURE 6: AVERAGE CONSUMER PRICE INFLATION FOR THE WESTERN CAPE AND SOUTH AFRICA, 2022 Q2



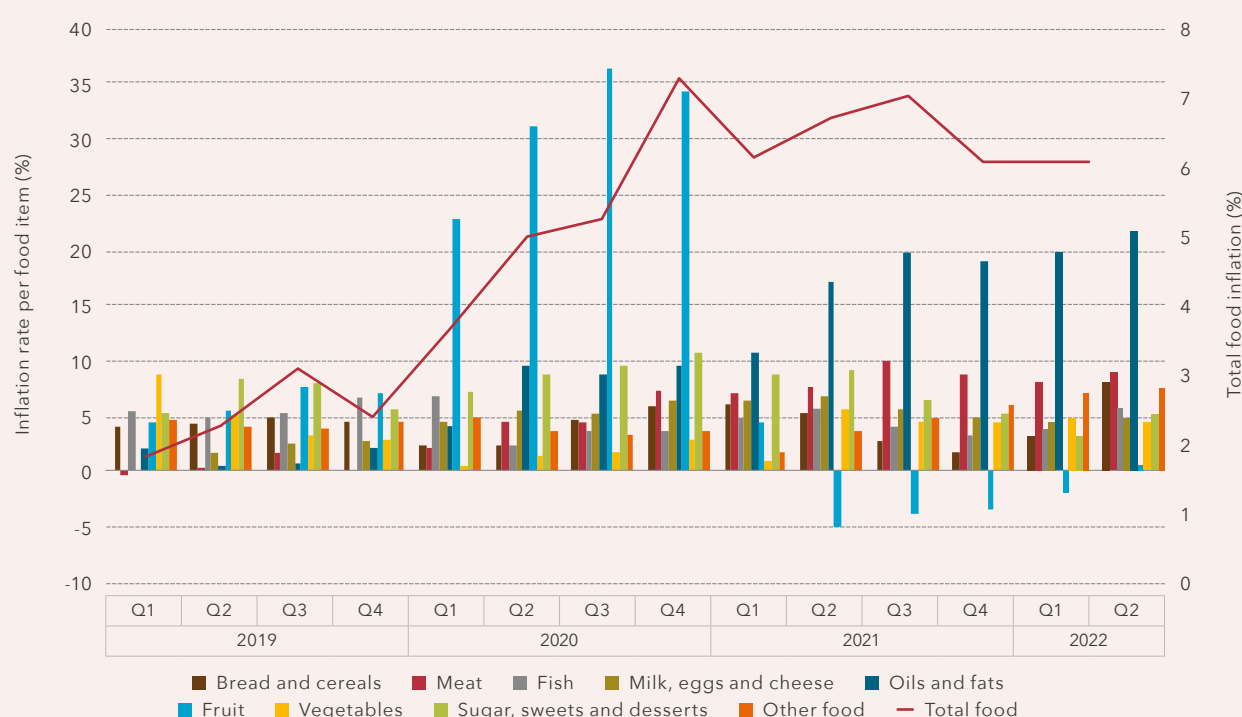
Source: Statistics South Africa, September 2022.

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 second quarter of 2022, food price inflation was higher compared

to the corresponding period a year ago, averaging 7,0% (compared to 7,8% nationally). For this quarter, all the food items recorded increases when compared to the previous quarter of 2022. The food items that demonstrated the highest average inflation rates in the second quarter of 2022 were oils and fats (23,4%), and meat (8,38%).

FIGURE 7: WESTERN CAPE FOOD PRICE INFLATION, 2019 Q1 TO 2022 Q2



Source: Statistics South Africa, September 2022.

The main contributor to the upward pressure in the price of oils and fats is the considerable increase in the prices of edible oils such as sunflower oil, canola oil and soya oil since January 2020. This acceleration in price is a result of a shortage of oil supply caused by poor harvests of oil-producing crops in the previous years (Business Insider, 2021). Furthermore, according to the Bureau for Food and Agricultural Policy's (BFAP) statement for June 2022, the price of poultry increased due to global supply issues and the outbreak of certain diseases in key production areas (e.g. avian flu in China), combined with a weaker currency that resulted in domestic price increases. The outbreak of foot and mouth disease in SA has also placed upward pressure on the price of meat (BFAP, 2022).

Many countries were on a recovery trajectory from the impact of Covid-19; however, alarming weather

conditions have raised concerns, as these could result in upward pressure on global food prices, thereby further weakening economic conditions. Furthermore, 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 due to the resulting supply shortages of agricultural inputs such as wheat. This is influencing South Africa's grain prices and driving up the prices of food items such as bread and cereal (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, Erkoyun and El Safty, 2022).

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 (2012-2022) 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) for the period 2020 Q2 until 2021 Q4. Stats SA stated that while using this method over this period, there was a decline in survey response rates,

with the lowest rate reached during the fourth quarter of 2021. With the easing of lockdown restrictions, Stats SA re-introduced face-to-face interviews using Computer-assisted Personal Interviewing (CAPI). It was observed that there was an improvement in the response rates for Q1 and Q2 of 2022. Further details on the methodology can be reviewed in the official QLFS publication.

CAPE TOWN'S LABOUR MARKET PERFORMANCE

When compared to the first quarter of 2022, Cape Town's working age population increased to 3,1 million individuals and the strict labour force increased to 2,1 million individuals for this quarter of 2022. Both categories recorded increases when compared to the same period of 2021. The total number of employed persons increased on both a quarter-on-quarter (up by 72 363 individuals) and year-on-year (up by 45 608 individuals) level, recording a total of 1,49 million individuals at the end of this quarter. Cape Town's employment level for the second quarter of 2022 is the highest recorded over the last eight quarters. This contributed to a quarter-on-quarter improvement in the labour absorption rate from 45,9% to 48,0%. In addition, the labour force participation rate increased to 68,6% when compared to the previous quarter (63,2%).

Both rates showed increases when compared to the same quarter of 2021.

The number of discouraged work seekers decreased on both a quarter-on-quarter (down by 11 401 individuals) and year-on-year (down by 2 139 individuals) basis, to record a total of 14 140 individuals at the end of the second quarter of 2022. Encouragingly, this is the lowest level since the second quarter of 2019. The increase in employment and the decrease recorded in the non-searching category were outweighed by the increase in searching unemployment, leading to a higher broad unemployment rate of 31,1% from the previous 30% in the first quarter of 2022. This is the highest recording for the broad unemployment rate since the start of the QLFS in 2008.

TABLE 1: CAPE TOWN LABOUR MARKET INDICATORS, 2022 Q2 VERSUS 2022 Q1 AND 2021 Q2

	RECORDED			QUARTER-ON-QUARTER CHANGE	YEAR-ON-YEAR CHANGE
	2022 Q2	2022 Q1	2021 Q2	(vs 2022 Q1)	(vs 2021 Q2)
Working-age population	3 119 482	3 104 677	3 060 881	14 806	58 602
Broad labour force	2 180 605	2 034 736	2 068 137	145 869	112 468
Strict labour force	2 139 246	1 963 434	2 004 333	175 812	134 913
Employed: Total	1 497 648	1 425 285	1 452 039	72 363	45 608
Employed: Formal sector	1 269 330	1 172 099	1 207 579	97 231	61 751
Employed: Informal sector	154 418	168 199	152 140	- 13 781	2 279
Unemployed (strict)	641 598	538 149	552 293	103 449	89 305
Not economically active	980 237	1 141 243	1 056 549	- 161 006	- 76 312
Discouraged work seekers	14 140	25 541	16 279	- 11 401	- 2 139
Other not economically active	966 097	1 115 701	1 040 270	- 149 605	- 74 173

Source: Statistics South Africa, Quarterly Labour Force Survey, 2022 Quarter 2, August 2022.

EMPLOYMENT COMPARISON OF METROS

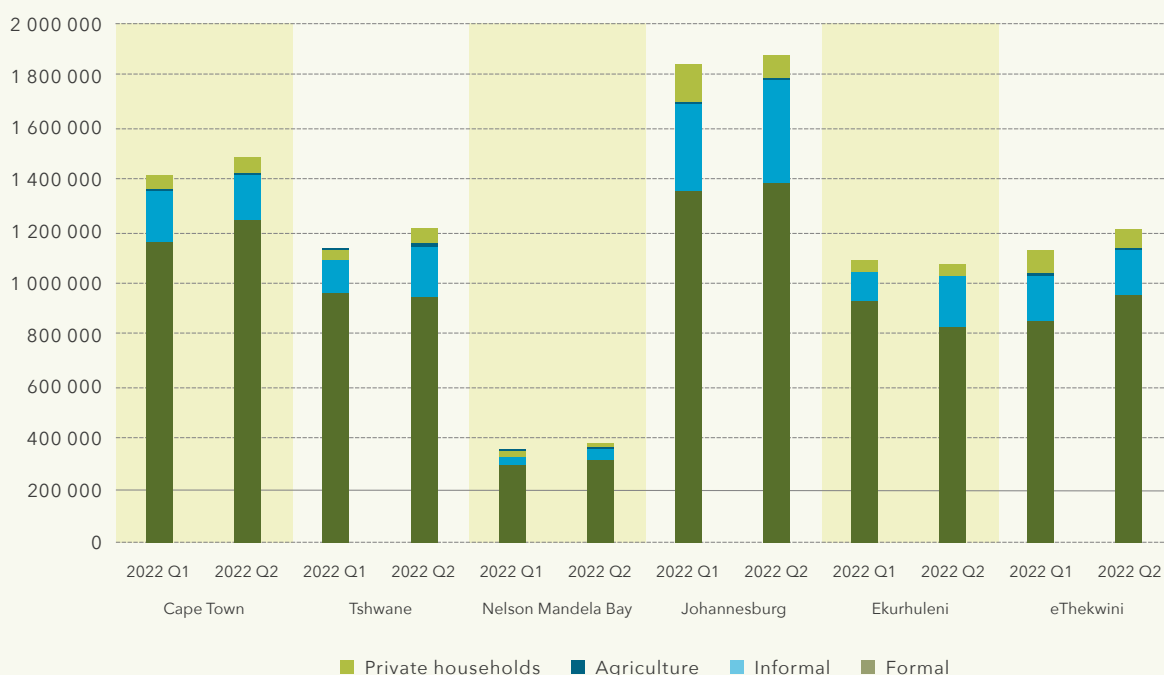
When measuring Cape Town's job creation performance, a comparison with other metropolitan municipalities (metros)⁵ in the country is helpful. In the second quarter of 2022, Cape Town continued to have the second highest number of employed people, at 1,49 million individuals. This is second only to Johannesburg, where 1,91 million people were employed. This is to be expected, as Johannesburg has a significantly larger population than Cape Town.

As can be seen in figure 8, the majority of the metros recorded an increase, while only one metro displayed negative employment growth when compared to

the previous quarter. Tshwane added the most to employment (80 402 jobs) followed by eThekweni (79 265 jobs) and Cape Town (72 363 jobs). Ekurhuleni recorded the largest decrease, shedding 7 898 jobs.

For Cape Town, formal employment increased strongly on a quarter-on-quarter (97 231 jobs) basis, whereas informal employment experienced a decrease of 13 781 jobs to record 1 269 330 and 154 418 employed individuals respectively. Both the agriculture and private households categories recorded employment losses (down by -1 759 and -9 328 individuals respectively).

FIGURE 8: EMPLOYMENT COMPARISON WITH OTHER METROS BY MAJOR SECTOR, 2022 Q1 VERSUS 2022 Q2



Source: Statistics South Africa, Quarterly Labour Force Survey, 2022 Quarter 2, August 2022

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

UNEMPLOYMENT IN CAPE TOWN

The number of (searching) unemployed people in Cape Town increased on both a quarter-on-quarter (by 103 449 individuals) and year-on-year level (by 89 305 individuals) to record a total of 641 598 individuals at the end of the second quarter of 2022. The increase recorded in employment was outweighed by the increase recorded in unemployment, resulting in a higher strict unemployment rate (30,0%) when compared to the previous quarter (27,4%). When compared to the second quarter of 2021 (27,6%), the strict unemployment rate is higher by 2,4 percentage points. This most recent figure also represents the highest recording for the strict unemployment rate to date.

The youth unemployment rate in Cape Town, defined as the strict unemployment rate for individuals aged 15 to 24, was estimated at 55,4% in the second quarter of 2022, having decreased from 56,4% in the first quarter. The

figure also decreased year-on-year from the 57,1% recorded in the second quarter of 2021. While this remains below the national youth unemployment rate of 61,4% recorded in the second quarter of 2022 (decreasing from 63,9% 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 2). On a quarter-on-quarter basis, Cape Town had the lowest broad unemployment rate at 31,3% (up from 30% in 2022 Q1), while eThekweni had the lowest strict unemployment rate at 22,5% (down from 28,4% in 2022 Q1) when compared to all the other metros.

TABLE 2: UNEMPLOYMENT RATE⁶ COMPARISON OF METROS, 2022 Q2 VERSUS 2022 Q1 AND 2021 Q2

METRO	OFFICIAL (STRICT)			EXPANDED (BROAD)		
	2022 Q2	2022 Q1	2021 Q2	2022 Q2	2022 Q1	2021 Q2
Cape Town	30,0%	27,4%	27,6%	31,3%	30,0%	29,8%
eThekweni	22,5%	28,4%	26,0%	37,9%	36,8%	36,9%
Ekurhuleni	33,1%	30,8%	33,1%	43,0%	44,8%	39,2%
Johannesburg	34,6%	39,1%	37,3%	38,6%	41,1%	43,6%
Nelson Mandela Bay	34,7%	36,4%	39,8%	36,5%	39,1%	40,2%
Tshwane	34,7%	38,2%	35,8%	38,6%	41,3%	38,5%

Source: Statistics South Africa, Quarterly Labour Force Survey, 2022 Quarter 2, August 2022.

Four metros experienced a decrease in their strict unemployment rate and two experienced an increase, when compared to the previous quarter of 2022. Similarly, four metros experienced a decrease in their broad unemployment rate, whereas two metros experienced an increase, when compared to the first quarter of 2022. On a quarter-on-quarter basis, Cape Town recorded the highest increases in both the strict (30%) and

broad unemployment (31,3%) rates (up by 2,6 and 1,4 percentage points respectively). On the other hand, eThekweni recorded the largest decrease in the strict unemployment rate (down by 6 percentage points to 22,5%) and Tshwane recorded the largest decrease in the broad unemployment rate (down by 2,8 percentage points to 38,6%). On a year-on-year basis, both Cape Town's strict and broad unemployment rates worsened when

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.

compared to the same period of 2021 (up by 2,4 and 1,5 percentage points respectively).

Cape Town recorded the lowest difference between its two rates of unemployment (1,3 percentage points). This can largely be attributed to the city having a

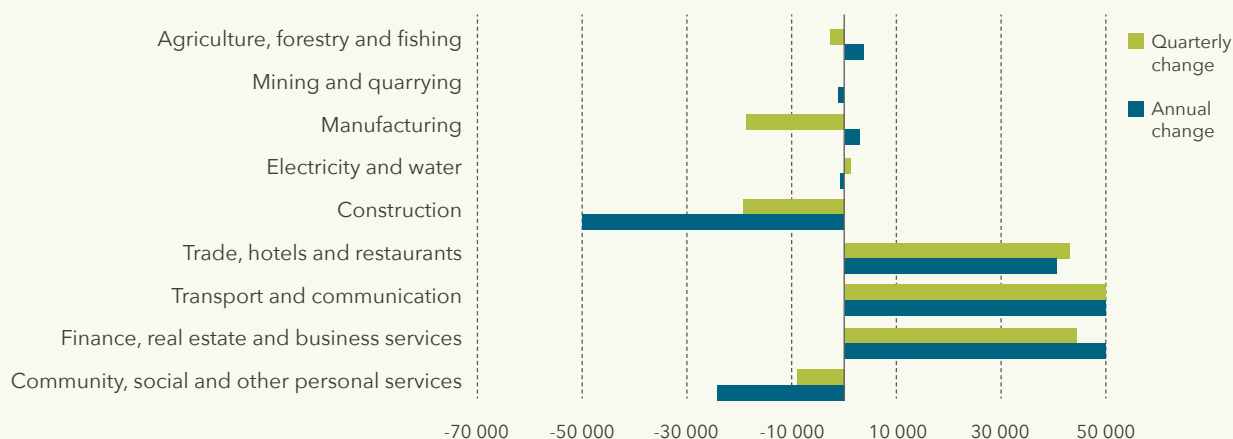
relatively small number of discouraged work seekers when compared to the other metros. The eThekweni metro recorded a 15,5 percentage-point difference, which is the largest of all the metros and can be considered to be indicative of a high population of non-searching unemployed people.

SECTOR EMPLOYMENT TRENDS FOR CAPE TOWN

Figure 9 presents the change in the level of employment by sector in Cape Town in the second quarter of 2022 compared to the same period of 2021. On a quarter-on-quarter basis, four sectors recorded employment gains, whereas five sectors recorded employment losses, when compared to the first quarter of 2022. The finance, real estate and business services sector (up by 70 733 jobs) added the most to employment, followed by community, social and other personal services (up by 46 770 jobs), and trade, hotels and restaurants (up by 43 803 jobs). The electricity and water sector added minimally to employment growth (up by 829 jobs). The transport and communication sector (down by 46 907 jobs) recorded the largest decrease, followed by the manufacturing (down by 15 673 jobs) and construction (down by 15 493 jobs) sectors. Significant employment losses were recorded within the private households and agriculture, forestry and fishing sectors (down by 9 328 and 1 759 jobs respectively).

Five sectors have shown signs of recovery, recording year-on-year employment gains when compared to the same quarter of 2021. In contrast, five sectors displayed negative employment growth when compared to the same period. Similar to their quarterly trends, the community, social and other personal services (up by 74 621 jobs), finance, real estate and business services (50 364 jobs), and trade, hotels and restaurants (42 427 jobs) sectors added the most to total employment. Employment gains on a year-on-year basis were also recorded in the agriculture, forestry and fishing (up by 3 136 jobs) as well as manufacturing (up by 2 710 jobs) sectors. Construction recorded the largest decrease of 66 966 jobs, followed by the transport and communication sector (down by 38 040 jobs) as well as private households (down by 21 557 jobs) sectors. The mining and quarrying, and electricity and water sectors also displayed negative year-on-year employment growth (-1 211 and -255 jobs respectively).

FIGURE 9: QUARTERLY AND ANNUAL CHANGE IN EMPLOYMENT PER SECTOR FOR CAPE TOWN, 2022 Q2



Source: Statistics South Africa, Quarterly Labour Force Survey, 2022 Quarter 2, August 2022.

05





INFRASTRUCTURE AND TRADE

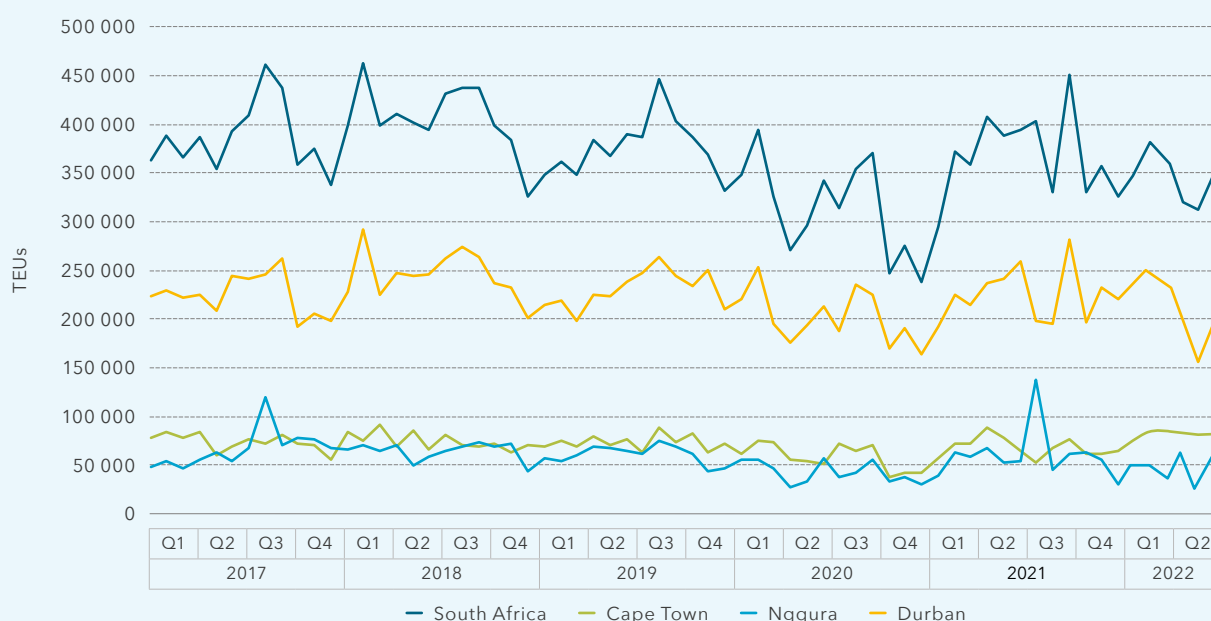
Cape Town is often cited as the gateway to South Africa and Africa. This status is sustained by the city's well-developed transportation infrastructure, including having South Africa's second-busiest airport, as well as (historically) its second-busiest container port. This section reviews infrastructure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

CONTAINER TRAFFIC

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

handling port in South Africa, handling a total of 592 469 TEUs in the second quarter of 2022, which accounted for 57,1% of all containers handled in the country. It was followed by the Port of Cape Town (22,4%) and Port of Ngqura⁹ (16,1%).

FIGURE 10: TOTAL CONTAINERS HANDLED (NATIONALLY), 2017 Q1 TO 2022 Q2



Source: Transnet National Ports Authority, September 2022.

As shown in table 3, the total number of containers handled at South African ports decreased on a year-on-year basis. Containers handled nationally declined by 12,9%, from 1 190 442 TEUs in the second quarter of 2021 to 1 037 314 TEUs in the second quarter of 2022. The Port of Cape Town experienced a slight year-on-year increase, from 231 069 TEUs in the second quarter of 2021 to 232 012 TEUs in the second quarter of 2022, reflecting the only year-on-year increase (0,4%) among the ports.

The Port of Durban recorded a decrease of 19,8%, while the Port of Ngqura recorded a decrease of 4,4% when compared to the second quarter of 2021. The latest quarterly data, when compared to pre-pandemic levels, signal that recovery is still under way. Nationally, TEUs were 9,2% lower than in the second quarter of 2019, while the Port of Cape Town was the only [leading] port to record higher levels (+2,4%).

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 municipality.

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

TABLE 3: COMPARISON OF TOTAL CONTAINERS HANDLED (IN TEUS), 2022 Q2 VERSUS 2022 Q1 AND 2021 Q2

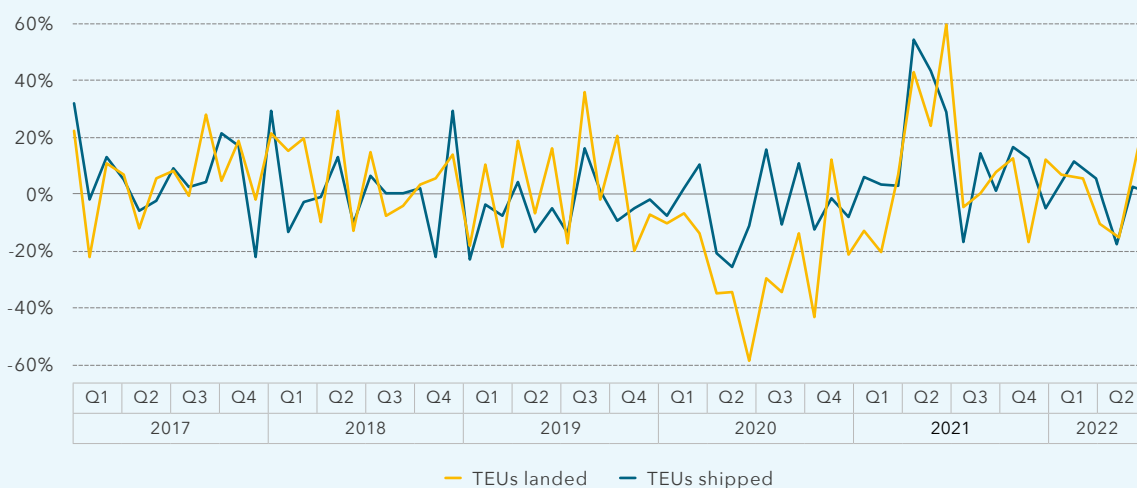
	2022 Q2	2022 Q1	2021 Q2	YEAR-ON-YEAR CHANGE
South Africa	1 037 314	1 085 853	1 190 442	-12,9%
Cape Town	232 012	225 549	231 069	0,4%
Durban	592 469	692 556	738 406	-19,8%
Ngqura	166 887	134 305	174 601	-4,4%

Source: Transnet National Ports Authority, September 2022.

Figure 11 illustrates full TEUs landed and shipped at the Port of Cape Town, reflecting imports and exports respectively. The Port of Cape Town recorded a year-on-year increase of 4,1% in TEUs landed, from 61 114 TEUs in the second quarter of 2021 to 63 606 TEUs in the second

quarter of 2022. The number of TEUs shipped decreased by 36,5% from 93 247 TEUs in the second quarter of 2021 to 59 230 TEUs in the second quarter of 2022. When compared to pre-pandemic levels, the current quarter's performance remains notably lower.

FIGURE 11: ANNUAL CHANGE IN FULL TEUs HANDLED AT THE PORT OF CAPE TOWN, 2017 Q1 TO 2022 Q2



Source: Transnet National Ports Authority, September 2022.



CAPE TOWN TRADE

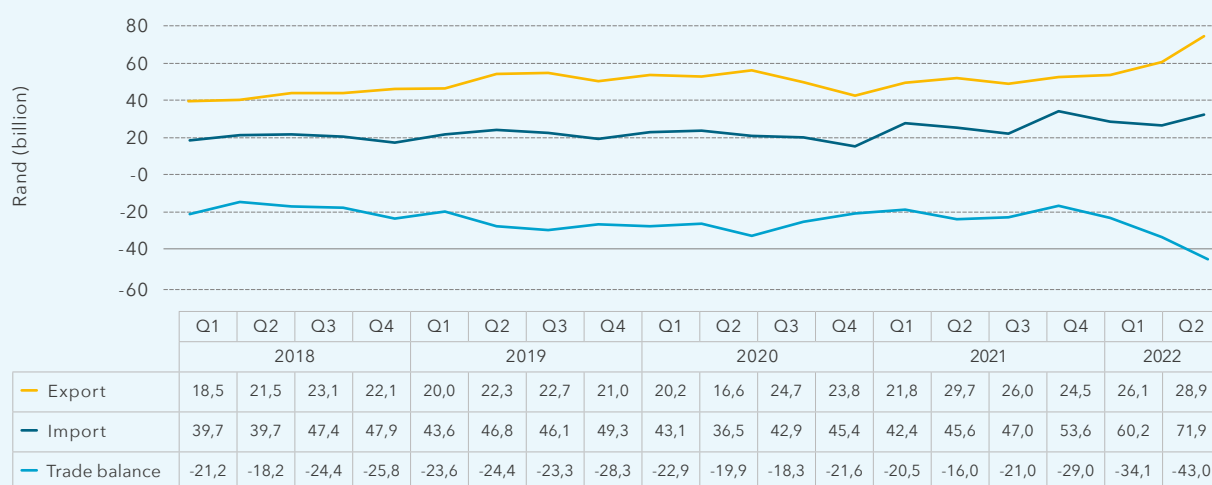
In the second quarter of 2022, quarterly exports increased, while imports increased by a greater proportion. Figure 12 shows the quarterly trade balance for Cape Town. Exports increased by 10,6% to R28,9 billion and imports increased by 18,1% to R71,9 billion. Imports are consistently reaching the highest levels recorded in Cape Town, due to rising prices, particularly oil prices. This has also impacted the trade deficit, which has more than doubled from the second quarter of 2021 (-R16 billion) to -R43 billion in the second quarter of 2022.

The largest quarterly growth in exports was for citrus fruit, due to seasonal trends, followed by apples, pears and fish fillets. Impacted by the war in Europe, the value of agricultural goods has risen as inputs to agricultural production become scarce. The largest year-on-year growth in Cape Town's exports was seen in energy

products such as coal and refined petroleum. Refined petroleum was also the highest-value export from Cape Town in the second quarter of 2022, worth R3,5 billion. Refined petroleum is also Cape Town's largest import product worth R38 billion. Major source markets include India (17%), Saudi Arabia (15%) and the UAE (14%). Around 10% of this imported petroleum is re-exported to SACU and other African countries and used or 'exported' as fuel for ships and aircrafts.

The value of exports decreased by 2,7%, when compared to the same period in 2021, while imports grew by 57,6%. Large year-on-year value increases were seen in imports of refined petroleum (128%) and nitrogenous fertilisers (12 494%) as the war in Ukraine strained global supply. According to Morgan Stanley, Russia and Ukraine typically supply more than 28% of global fertiliser (Domm, 2022).

FIGURE 12: CAPE TOWN'S TRADE BALANCE, 2018 Q1 TO 2022 Q2



Source: Quantec, 2022.

Cape Town's top 10 exports in the second quarter of 2022, shown in table 4, account for almost half (44,6%) of total exports. When compared to the second quarter of 2021, the largest year-on-year increase in the top 10 exports was for coal, briquettes and ovoids. These commodities, not mined locally, would be transported via road and shipped from the Cape Town port, presumably due to limited capacity at Richards Bay Harbour. Coal is only occasionally exported from Cape Town, when demand and global prices are high. This has occurred since the war in Ukraine, but reached new highs in quarter 2 of 2022, when coal prices rose above USD400 per tonne, due to EU sanctions

on Russian coal exports and coal shortages in China (Trading Economics, 2022; Nagle and Tema, 2022).

Citrus remained in the top three export products, despite a year-on-year decline of 10%, while apples and pears, and grapes experienced increases of 1% and 26% respectively. Jewellery with precious metal and beauty products were other luxury categories that remained in the top 10, however, wine and cigarettes did not feature in the top 10 exports for this quarter as they often do, ousted by animal feed and (non-local) commodities with high global demand, such as coal.

TABLE 4: CAPE TOWN'S TOP 10 EXPORTS, 2022 Q2

CAPE TOWN'S TOP EXPORT CATEGORIES FOR 2022 Q2 (HS 4) ¹⁰	ZAR MILLION	% OF TOTAL EXPORTS	YEAR-ON-YEAR CHANGE (VS 2021 Q2)
Refined petroleum oils	R3 496,88	12,1%	103,3%
Citrus	R2 124,31	7,4%	-10,0%
Coal, briquettes and ovoids	R1 971,05	6,8%	457,9%
Apples and pears	R1 671,92	5,8%	1,1%
Engine parts	R766,21	2,7%	19,9%
Jewellery with precious metal	R724,37	2,5%	12,2%
Fish fillets	R597,25	2,1%	-1,1%
Beauty and make-up	R520,05	1,8%	-16,2%
Animal feed from fish and crustaceans	R502,96	1,7%	47,4%
Grapes	R501,02	1,7%	26,4%
Total of top 10 export categories	R12 876,03	44,6%	
Total of ALL products	R28 883,21	100,0%	-2,7%

Source: Quantec, own calculations, August 2022.

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

¹⁰ 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.



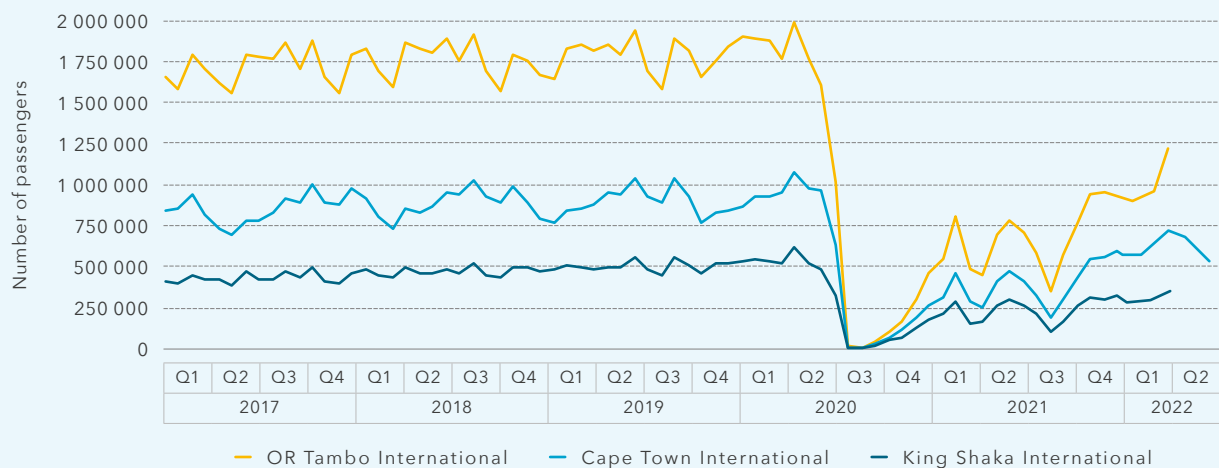
AIRPORT STATISTICS¹¹

Cape Town International Airport is historically South Africa's second-busiest airport, after OR Tambo International Airport in Johannesburg. In the second quarter of 2022 it recorded 1,9 million total passenger movements (arrivals and departures).

To account for seasonal trends, passenger statistics are best analysed at a year-on-year level. This reveals that, for the second quarter of 2022, total passenger movements at Cape Town International increased by 55,3% year-on-year, representing a total of 661 096 more passenger movements than observed in the second quarter of 2021.

However, due to the significant disruption to air travel in 2020, and the subsequent low passenger movements, the year-on-year performances recorded may remain relatively amplified, compared to pre-pandemic trends. It is therefore still worthwhile to compare the performance of the second quarter of 2022 to the same period in 2019.¹² This reveals that air passenger movements remain 26,5% lower than pre-pandemic levels, which is illustrated in figure 13.

FIGURE 13: TOTAL (MONTHLY) PASSENGER MOVEMENTS AT SOUTH AFRICA'S MAJOR AIRPORTS, 2017 Q1 TO 2022 Q2



Source: Airports Company South Africa, September 2022.

Note: No confirmed data available for OR Tambo and King Shaka International airports for 2022 Q2 at time of publishing.

Despite strong recent improvements, the significantly lower air passenger movements (as compared to pre-Covid figures) are indicative of the lingering effects of the pandemic on the tourism sector, as well as the difficult economic conditions currently faced by consumers.

Despite this, in the second quarter of 2022, 18,3% of total passenger movements at the Cape Town International Airport constituted international arrivals. This proportion of international versus domestic arrivals has once again reached pre-pandemic level.

¹¹ Note, due to external circumstances, the quarter under review only focuses on air passenger movements at the Cape Town International Airport.

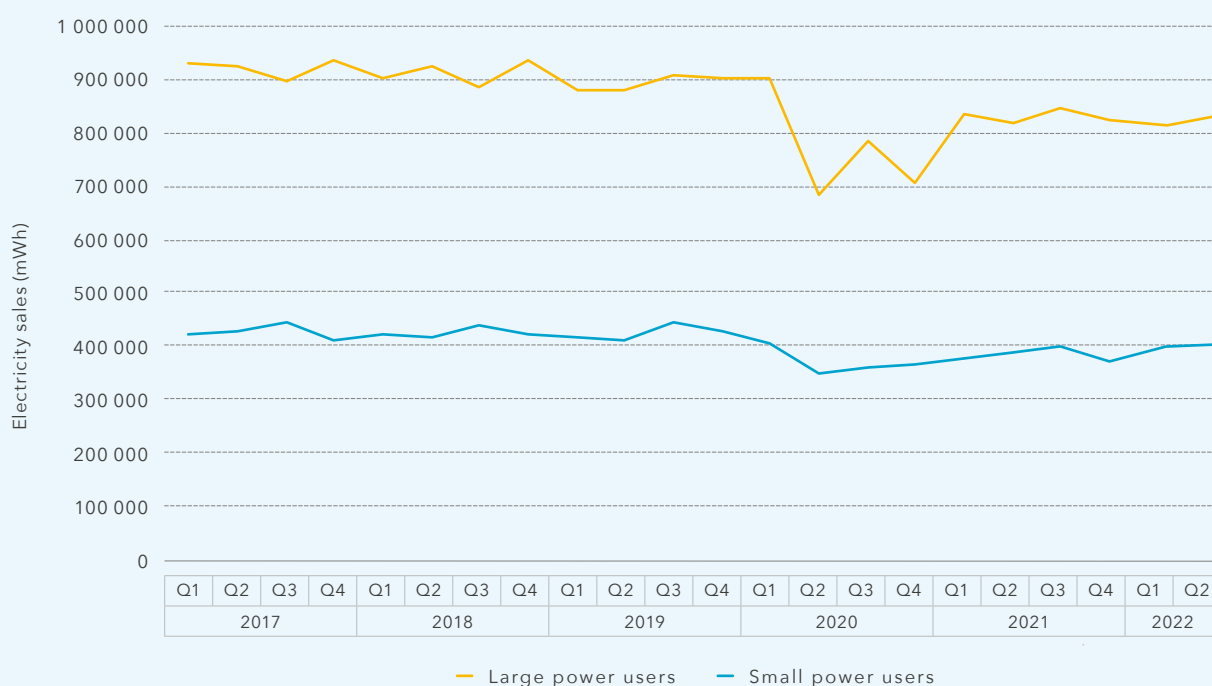
¹² South Africa's lockdown commenced on 15 March 2020.

COMMERCIAL AND INDUSTRIAL ELECTRICITY USAGE

Electricity is an important driver of economic activity as it is a key input in most production processes. This is especially true in economies with greater proportions of secondary and tertiary sector activities, such as those of

South Africa and Cape Town. Consumption of electricity by large power users (LPUs) and small power users (SPUs) is therefore a good indicator of production levels in the manufacturing sector.

FIGURE 14: CAPE TOWN'S COMMERCIAL ELECTRICITY USAGE, 2017 Q1 TO 2022 Q2



Source: *Electricity Generation and Distribution, CCT, August 2022.*

Following a decrease in the previous quarter, electricity sales to LPUs grew by 2,9%, on a quarter-on-quarter basis, in the second quarter of 2022. This was despite continued load-shedding throughout the country and could therefore be an indication that businesses have adapted to it, while also benefiting from the City's efforts to reduce the extent of Eskom's reduction in

power availability. The City's electricity sales to SPUs also increased by 1,5% quarter-on-quarter. Electricity sales to LPUs in the second quarter of 2022 were also higher than in the corresponding period in 2021. LPUs recorded an increase in electricity sales of 3,2% year-on-year, while electricity sales to SPUs grew by 3,4% 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, 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, historically, a well-known domestic and international tourist destination, and the city's tourism sector a valuable contributor to the local and national economy. However, tourism was one of the industries hardest hit by Covid-19. While travel restrictions around the world have eased, tourism activity levels and trends have not fully recovered.

Data collection within the tourism industry experienced major disruptions for the majority of 2020, due to the impact of the pandemic.¹³ Cape Town Tourism (CTT, 2021) has now resumed survey activity for the local accommodation sector. The significant impact on the industry has also meant lower survey response levels. In an attempt to improve this, the survey has been extended to the Federated Hospitality Association of South Africa (FEDHASA). Despite this, the survey response rate remains fairly low.¹⁴ The Cape Town Accommodation Performance Reviews, covering the months of April and June 2022¹⁵ had an average response rate of 45 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 April 2022, the surveyed establishments recorded an average occupancy rate of 56,1%. This is higher than the 47,1% recorded for April 2021, and is indicative of recovery within the sector. Similarly, the average room rate (R2 000) and revenue per room rate (R1 123) also recorded higher figures in April 2022 than the previous year. The average occupancy rate for June 2022 was 45,5%. As no survey results are available for June 2021 and 2020 (the latter during the country's 'hard lockdown'), a comparison needs to be made to June 2019, which represents pre-pandemic activity levels. Such comparison shows slightly lower performance in June 2022, when compared to the 51,3% recorded in June 2019. The average room rate for June 2022 was recorded at R1 601 and revenue per room rate

was R728 (compared to R1 677 and R861, respectively, in 2019). The differences are indicative of the industry's slow recovery to pre-pandemic levels.

Demand for accommodation during the second quarter of 2022 continued to be driven by the domestic market (CTT, 2022a; CTT, 2022b). While the sector's recovery is slowed by sectoral trends, with lower activity in many segments over the winter season, industry commentary on the outlook remain positive, and the sector continues to be labour intensive (Stoddard, 2022b).

Following lockdown-induced closures in March 2020, Cape Town's five major tourist attractions¹⁶ resumed operations from the third quarter of 2020. The tourism sector's slow recovery is evident in visitor numbers for these attractions. During the second quarter of 2022, the attractions recorded a total of 499 007 visits. While this remains 42,2% lower than pre-pandemic levels (of 2019 Q2), this quarter's performance showed an improvement of 89,9% when compared to the same period in 2021.

In the second quarter of 2022, Table Mountain Aerial Cableway recorded the highest number of visits (139 389) and a year-on-year improvement of 147%. It should be noted, however, that this performance comes off a low base. Quarter-on-quarter performance showed a slight decline (of 14,5%), indicative of seasonal trends. This was followed by Kirstenbosch National Botanical Gardens, which recorded 126 037 visitor numbers in the second quarter of 2022, an increase of 22,9% when compared to the same period in 2021. The Cape of Good Hope recorded visitor numbers of 117 167, a year-on-year increase of 83,8%, and Boulders Beach 86 585, which represents year-on-year growth of 185%. Robben Island recorded 29 829 visitor numbers in the second quarter of 2022. While it enjoyed the highest year-on-year growth (204,8%) of the five tourist attractions, once again it is worth noting that this came off a relatively low base.

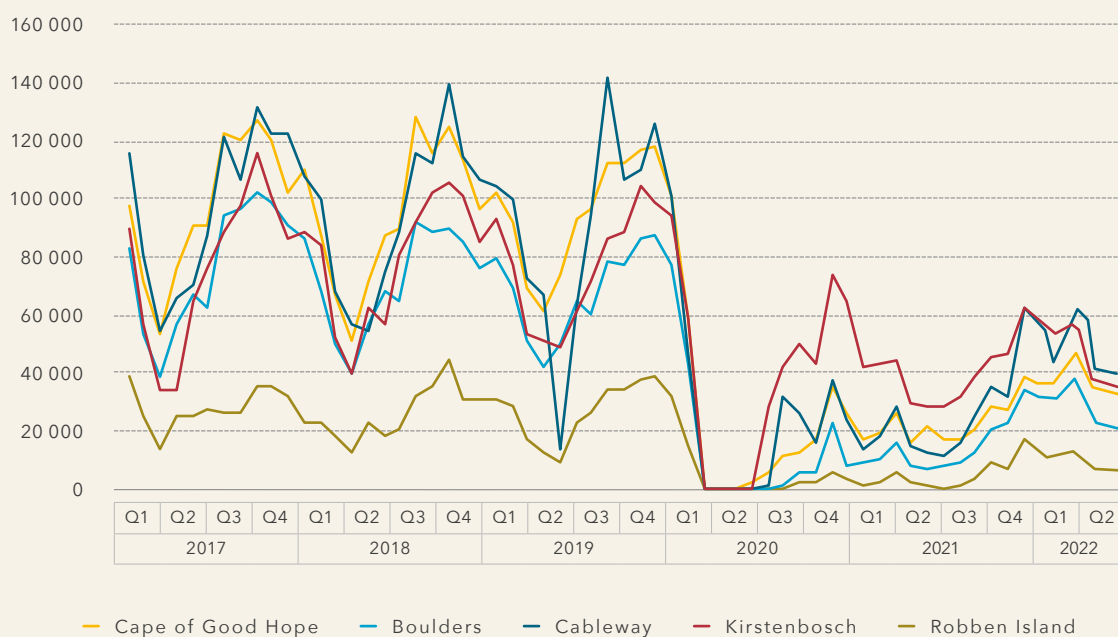
¹³ As most accommodation establishments were closed or greatly restricted in their services and/or clientele during the respective lockdown levels, Cape Town Tourism thus could/did not conduct their [otherwise] monthly accommodation survey.

¹⁴ Prior to the pandemic the surveys recorded averages of around 100 responses per month.

¹⁵ Cape Town Tourism conducted a survey for the review of the industry's performance for May 2022, however, due to the exceptionally low response rate, results were not published.

¹⁶ 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 Q2



Source: Wesgro, September 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. 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 continue to taper during the second quarter. While visitor numbers remain lower than pre-pandemic levels, the second 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

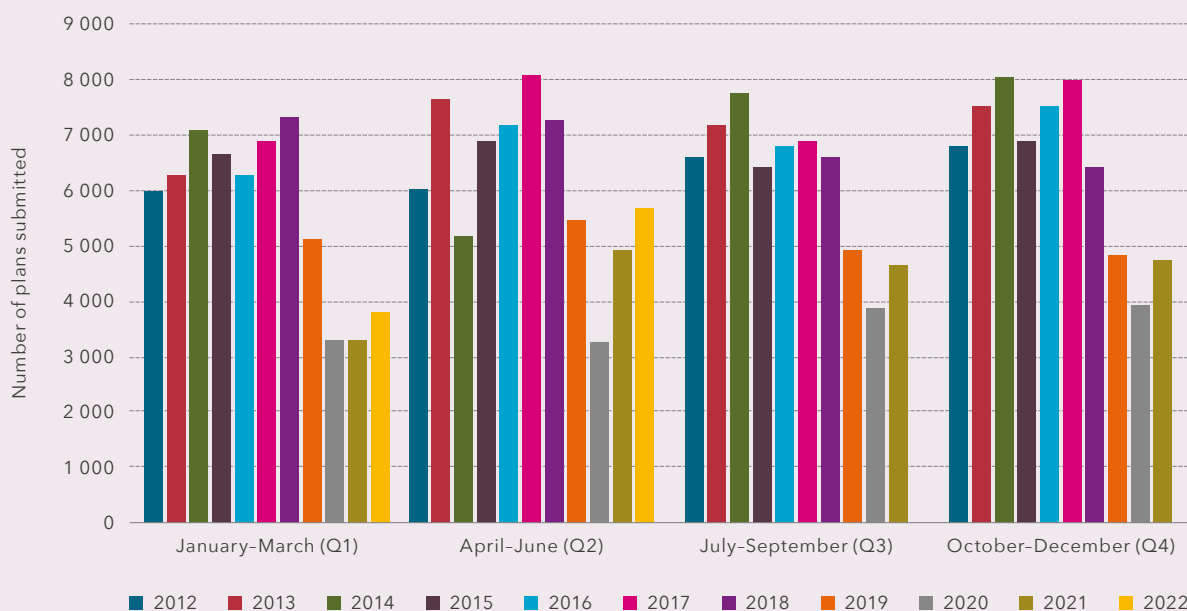
The economic growth data for the second quarter of 2022 show that national output in the construction industry declined by 9,1% quarter-on-quarter. As the fifth consecutive quarterly contraction, this highlights the sector's struggle to maintain its recovery momentum since its significant decline in the second quarter of 2020 due to the nationwide lockdown. Similarly, the sector recorded a year-on-year contraction of 6,6% in the second quarter of 2022. The Western Cape's construction industry mirrored these national trends, recording a quarter-on-quarter contraction of 9,1%, and a year-on-year contraction of 6,7% in the second quarter of 2022 (Quantec, 2022).

Since recovering from the all-time low of 4 index points reached in the second quarter of 2020, the First National Bank (FNB)/BER Building Confidence Index¹⁷ shed its gains of the previous quarter (which recorded 40 index points) by declining 6 index points in the second quarter of 2022 to record 34 index points. This decline is attributed to lower confidence in the building material manufacturing and hardware retail subsectors. In contrast,

main contractor confidence improved to a more than five-year high, while architect activity recorded its best sentiment since 2015 (BER, 2022e). The improved sentiment embedded in the Building Confidence Index is further evident in some of the City's building plans data. For the second quarter of 2022, additions and alterations, and minor works constituted a combined 58% of the value of total completions, corresponding to 85% of total number of projects completed.

In contrast to recent trends, the number of building plans submitted to the City for approval (5 694) in the second quarter of 2022, represented a year-on-year improvement of 15,6% from the second quarter of 2021. To account for the low base, it is useful to compare this performance to previous years, which reveal that it is 4,6% higher when compared to the second quarter of 2019, and has thus returned to pre-pandemic levels. Figure 16 provides an annual comparison of the number of building plans submitted in each of the quarters over the past 10 years. This allows for seasonal volatility when analysing the long-term trends in the building and construction industry.

FIGURE 16: BUILDING PLANS SUBMITTED TO THE CITY OF CAPE TOWN, 2012 Q1 TO 2022 Q2



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

¹⁷ 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

At 13 579 units sold, total vehicle sales in the Western Cape in the second quarter of 2022 decreased by 13,6% (2 142 units) from 15 721 units sold in the first quarter of 2022. On a year-on-year basis, vehicle sales increased by 5,4% (696 units) from 12 883 vehicles sold in the same period of 2021. Passenger vehicle sales in the Western Cape, which represent the private consumer segment of the market, decreased from 11 176 vehicles in the first quarter of 2022 to 9 886 vehicles in the second quarter of 2022. The year-on-year results showed an increase of 16,0% (1 363 units) from 8 523 vehicles sold in the second quarter of 2021. At a national level, passenger vehicle sales reported a year-on-year increase of 16,1% (11 217 units) from 69 653 units in the second quarter of 2021 to 80 870 units in the second quarter of 2022.

This mixed performance reflects industry experts' expected continued fluctuation in vehicle sales. Positive signs remain in the passenger vehicle market, despite the

impact of tightening consumer household incomes, with this quarter seeing the end of the temporary reduction in the general fuel levy to control fuel prices (NAAMSA, 2022; AutoTrader, 2022).

TransUnion's Vehicle Pricing Index (VPI) report shows that new passenger vehicle finance deals increased by 34% on a year-on-year basis in the second quarter of 2022, and by 5,4% for used passenger vehicles. The used-to-new ratio continued to decline, recording 2,10 from a previous 2,18 in the first quarter of 2022. The VPI¹⁸ for new vehicles showed a slight decrease in the second quarter of 2022, dropping to 3,9% from 4,0% in the previous quarter. In contrast, the VPI for used vehicles recorded 8,3% in the second quarter of 2022, an improvement from the previous quarter's 7,9%. New vehicles continue to be impacted by constrained supply, including the impact of the floods in KwaZulu-Natal on the local manufacturing market (TransUnion, 2022).



¹⁸ 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

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
EAF:	Energy Availability Factor
EPIC:	Economic Performance Indicators for Cape Town
FEDHASA:	Federated Hospitality Association of South Africa
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:	Harmonised System
IMF:	International Monetary Fund
LPU:	large power user
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
SPU:	small power user
SRD:	Social Relief of Distress
TEU:	twenty-foot equivalent unit
USD/US\$:	United States dollar
USD/T:	United States dollar per tonne
VPI:	Vehicle Pricing Index
WC:	Western Cape
WEO:	World Economic Outlook
ZAR:	South African rand

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