CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

INVEST CAPE TOWN

Economic Performance Indicators for Cape Town

2020 QUARTER 1
(January-March)

WWW.INVESTCAPETOWN.COM

Making progress possible. Together.

ACKNOWLEDGEMENTS

The EPIC quarterly publication is a collaboration between the Enterprise and Investment, and Policy and Strategy departments of the City of Cape Town.

ECONOMIC CONTENT AUTHORED BY THE ECONOMIC ANALYSIS BRANCH, POLICY AND STRATEGY DEPARTMENT

Manager: Economic Analysis
Paul Court

Project manager and author:
Dilshaad Gallie

Other:
Monique Petersen
Yoliswa Tiwe
Jodie Posen
Alfred Moyo

DISTRIBUTION BY INVEST CAPE TOWN

Enterprise and Investment Department:
Lean Muller
Tarryn Voigt-Mallum

Email:
economic.research@capetown.gov.za
info@investcapetown.gov.za

Online access:
http://www.capetown.gov.za/work%20and%20business/doing-business-in-the-city/business-support-and-guidance/economic-reports/Economic%20resources%20and%20publications

ADDITIONAL SOURCES OF INFORMATION

City of Cape Town, Planning and Building Development Management:
Lizanne Ryneveldt
Marius Crous

City of Cape Town, Electricity Generation and Distribution:
Cornie Malan

Wesgro:
Gadijah Darries

A NOTE ABOUT THIS EPIC EDITION

This special edition of EPIC places particular emphasis on the impact that the Covid-19 pandemic is having on the Cape Town economy. To do this, the issue presents data and information that extends beyond the first quarter focus that is usually offered by the first edition of the year. The content also draws on the latest available data for the April and May lockdown months. Given that economic output and employment data are not yet available for the second quarter, the publication relies on the latest impact modelling undertaken by the City to provide commentary regarding the overall Covid-19 impact on the local economy.

FOREWORD

The data pertaining to the first quarter of 2020 that is presented in this edition of EPIC is sure to change significantly in the months to come, and the effects of the Covid-19 pandemic will certainly continue to be felt for some time by Cape Town's residents, businesses and, indeed, the broader local economy.

To effectively address and manage the impact of the global crisis on Cape Town's economy, I established three task teams, each with a specific focus on co-ordinated economic, tourism and real estate responses. The primary objective of all these task forces remains working with the City's business partners, as well as provincial and national government to help and support businesses through this crisis and plot a viable path to economic recovery.

The City has introduced a variety of measures aimed at offering temporary relief to companies through the lockdown period, as well as bolstering the economy and enabling its recovery in the medium term.

The Enterprise and Investment Department is currently preparing for the implementation of its Business Retention and Expansion programme, which will roll out in each of Cape Town's 26 key industrial areas. The programme involves a detailed survey of the businesses in each of these industrial areas, followed by concerted efforts to address any issues within the department's control that may otherwise hold back their recovery and growth going forward. The survey will focus particularly on workplace safety and ensure that the City offers businesses the assistance and support needed to keep their workers and customers safe during this crisis.

While there has understandably been a large amount of negative news over the past few months, it has not all been doom and gloom in Cape Town. I am immensely proud of the work done by the City's Investment Facilitation Unit (IFU) within the Enterprise and Investment Department. Since 2017, the IFU has helped to facilitate investments to the value of approximately R39 billion, including seven investment expansions and eight new investments. In turn, these investments have led to the creation of 26 275 jobs. Based on the significant successes it has achieved, more resources have been allocated to this unit in the 2020/21 financial year to ensure its continued delivery on its mandate, for the ultimate benefit of all Cape Town residents.

The City of Cape Town has renewed funding for the successful Cape Town Air Access (CTAA) initiative, located in Wesgro – an initiative that is working to get the city's aviation sector back on its feet. By boosting direct flights, or route expansions, we create more efficient connections between Cape Town and key source markets, which is crucial in order to effectively capitalise on global business opportunities and leverage these to create even more jobs.

Together with our strategic business partners, we are working on recovery plans for the aviation sector, which came to a complete halt during the global coronavirus lockdown. Key aspects of the recovery plans include lobbying national government for the earlier and responsible reopening of the aviation sector for regional and international travel, rebuilding confidence in air travel, and the resumption and expansion of air cargo transportation.

Equally important are the sectors that underpin the tourism industry, such as food and beverage, accommodation, transportation, events, as well as goods and services. The tourism and related sectors are recognised as catalytic and are vital for economic recovery after the Covid-19 pandemic. The simple truth is that we need to get tourists back to our city over what is normally our busiest period. If this sector is denied the opportunity to reopen, billions of rands will be lost and many thousands more people will lose their jobs. In a concerted effort to avoid this scenario, the City, together with our official Destination Marketing Organisation, Cape Town Tourism (CTT), has formulated plans, using research as a strategic guide, to plot a sustainable future for this sector and help put our tourism industry on the road to recovery.

The City of Cape Town is committed to ensuring that we allocate funding to programmes that work for the residents of Cape Town and contribute to creating the right environment for economic recovery and sustainable growth.

To achieve this, the Enterprise and Investment Department, along with all areas of the City of Cape Town, will continue to use all levers at our disposal to attract and expand investment and realise our vision of a strong post-Covid-19 pandemic future for Cape Town and all its people.

Ald. James Vos
Mayoral Committee Member for Economic Opportunities and Asset Management

CONTENTS

LIST OF TABLES

LIST OF FIGURES

INTRODUCTION

The previous edition of EPIC noted that the country had entered a technical recession, having recorded two consecutive quarters of negative economic growth. The underlying factors for this weak economic performance were anticipated to still be present in the first quarter of 2020 and were also expected to be further exacerbated by the onset of the Covid-19 pandemic. This led most economists to predict a continuation of the recession in the first quarter of 2020.

The recent release of the GDP figures by Stats SA confirmed these projections, with the country posting a -2,0% economic growth rate in Q1 of 2020. The Western Cape, however, bucked this trend by recording a slightly positive growth rate of 0,1%. This was thanks, mainly, to reasonably strong performances by the key sectors of finance and agriculture, as well as the province's general resilience in the face of systemic economic stresses and emerging shocks. Notably, the region's tourism industry recorded a particularly encouraging performance, with increasing occupancy rates, year-on-year, for January and February.

With most economists predicting the largest contraction of global economic growth in almost 100 years as a result of the Covid-19 pandemic and its associated restrictions on economic activity, the resilience of Cape Town's economy and its businesses has been put to the test. In a survey conducted by the Western Cape Department of Economic Development and Tourism in April, at the height of the national lockdown, 71% of surveyed businesses based in Cape Town believed that they would experience a revenue loss of 20% or more over the six-month period between April and September 2020. A further 23% of businesses surveyed believed they would not generate any revenue over this period. These sentiments are also reflected in the decline, at a national level, of the Business Confidence Index to an all-time low of five index points in April this year.

The effect of the mandatory countrywide restrictions placed on most forms of business activity in April (and partially extended into May) can be seen in the City's administrative datasets. Electricity consumption by the City's large power users declined by 41% year-on-year in April, pointing to significantly lower levels of manufacturing output. The lower levels of production in the economy are also reflected in a 20,6% decline in containers shipped from the Port of Cape Town, although port inefficiencies due to the lockdown are also likely to have contributed to this trend. On a positive note, Cape Town's large food and beverage sector, as an essential industry, was largely shielded from major output losses over the lockdown period. Beyond manufacturing, the virtually 100% closure of tourism establishments in April, and the restrictions placed on all but essential construction activity, have resulted in major revenue losses in both industries. We estimate that more than R300 million in revenue was lost by hotels in the city in April.

While the economy has gradually reopened, certain industries are likely to continue to experience notable declines for the rest of 2020. Foremost among these is tourism, as indicated by the cancellation of 41% of forward bookings by international tourists to Cape Town for the period of May to October. Similarly, a 43% decline in building plans submitted to the City of Cape Town during April, despite the ability to do submissions online, points to a very low level of construction activity in the coming months.

The halt in many production processes in April and May, continued restrictions in certain industries – especially tourism and events – and declining consumer and business confidence, mean that Cape Town, like most other cities worldwide, can expect a large contraction in its economy for 2020. Initial estimates by the City's Economic Analysis branch, in partnership with PwC, put the extent of that economic contraction at 8,6% for 2020. This is broadly in line with forecasts at a national and provincial level, which tend to range between 7% and 10%.

A drop in output of this size will also have significant ramifications for employment and it is estimated that around 135 000 jobs may be at risk in Cape Town. This figure includes people in existing jobs, as well as a notable number of new work-seekers who join Cape Town's labour force each year. While these figures are naturally alarming, more severe losses looked likely at one stage, especially when it appeared that the city could return to a higher level of lockdown.

The economic impacts presented in this publication will continue to be adjusted and updated as new data becomes available. For instance, the latest trade data for South Africa points to a stronger than expected bounce-back in exports in May. As new ways of working and a so-called 'new normal' are established, businesses can be expected to adapt and innovate. This edition of EPIC includes a number of case studies and success stories that demonstrate this resilience and determination among businesses in the city. Cape Town's reputation as the tech capital of Africa certainly also positions it well to take advantage of the increasing shift to online business and e-commerce. Businesses in the latter have a very strong presence in Cape Town and stand to benefit strongly from increasing levels of online retail.

These are unprecedented times for the global economy and, irrespective of what happens between now and the end of the year, the anticipated dip in economic performance in 2020 will undoubtedly be one of the sharpest dips in modern times. The challenge for Cape Town, and all cities, is to find ways to facilitate and support economic recovery in the short- to medium term (2021 and beyond), despite the likelihood of an uncertain and potentially volatile environment for some time to come.

Paul Court
Manager: Economic Analysis

KEY FINDINGS FOR THE FIRST QUARTER OF 2020

This is the 28th edition of the EPIC publication, which presents and analyses economic (and related) trends in Cape Town on a quarterly basis. This edition focusses on the first quarter of 2020, covering the period 1 January to 31 March 2020.

In the first quarter of 2020, the Western Cape economy **grew by 0,1% quarter-on-quarter**, exiting its technical recession of the previous quarter. The main contributors to this growth were the agriculture (27,9%) and finance (3,7%) sectors.

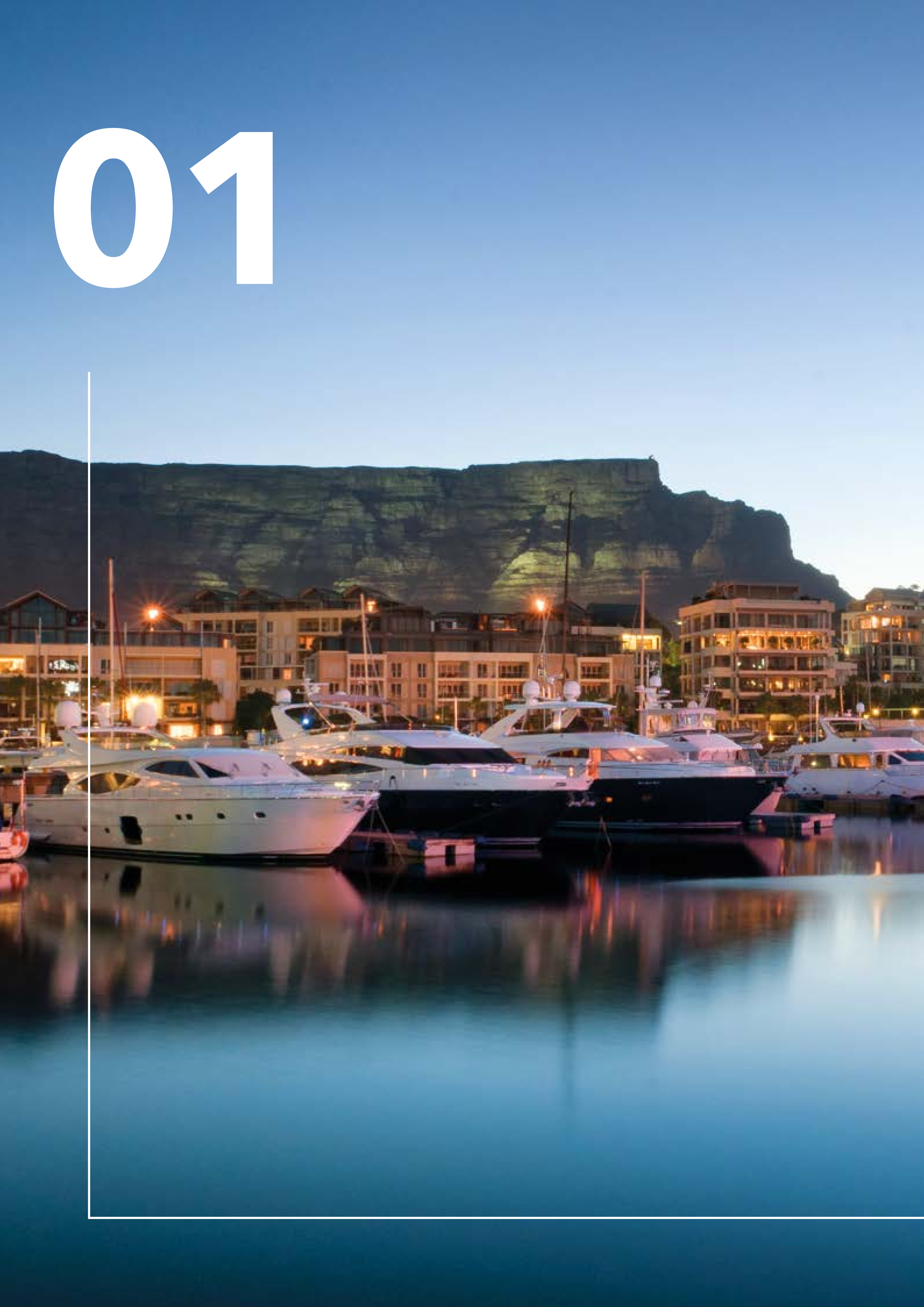
The Western Cape recorded a **higher inflation rate of 4,8%** at the end of the first quarter of 2020 than at the end of fourth quarter of 2019 (4,4%). Although this was higher than the national inflation rate of 4,1%, it remained within the inflation target range (3%-6%).

The **number of people employed in Cape Town decreased** by 28 289, on a quarter-on-quarter basis, to a total of 1,57 million. On a year-on-year basis, this figure also decreased by 11 588 individuals. The main contributors to employment during the period were the trade, hotels and restaurants (4 361), and agriculture, forestry and fishing (3 843) sectors. The finance, real estate and business services (22 549) sector recorded the largest job losses over the first quarter of 2020, followed by electricity and water (6 921) and construction (3 137).

Cape Town International Airport recorded a year-on-year decrease of 10,2% in total passenger movements. A total of 2,57 million passenger movements were recorded, relative to the 2,86 million of the first quarter of 2019.

Four of Cape Town's top five tourist attractions have visitor data available for the period. All four recorded quarter-on-quarter decreases in the number of visits, reflecting the strong seasonality of the local tourism sector, as well as the impact of the Covid-19 crisis. On a year-on-year basis, these attractions also reflected a decrease in visitor numbers. The Table Mountain Aerial Cableway showed the largest decrease, with 99 133 fewer visitors to the attraction recorded than during the first quarter of 2019.

01



SUCCESS STORIES

WHEN 22-YEAR-OLD COLIN MKOSI LAUNCHED A LOCAL HOME DELIVERY SERVICE IN LANGA IN FEBRUARY, HE THOUGHT IT WOULD TAKE AT LEAST A YEAR TO GET THE BRAND ESTABLISHED IN THE COMMUNITY. FAST-FORWARD THREE MONTHS AND CLOUDY DELIVERIES IS NOW THE MOST POPULAR DELIVERY SERVICE IN LANGA.

Briefly explain what your business is and does.

Cloudy Deliveries provides deliveries of goods and groceries to people living in the communities of Langa. People call us to request a delivery and our nine delivery riders, aged between 16 and 19 years old, use bicycles to pick up and deliver goods to them for a low cost of just R9 per delivery. We also have two younger boys, aged 12 years, who help with bike maintenance and servicing. We operate with between eight and 10 bicycles every day, and deliveries are done between 10am and 6.30pm.

What role do you see your business playing in Cape Town?

Cloudy Deliveries offers a reliable alternative to the way people in our communities have always had to do their shopping in the past. We initially wanted to help the elderly people who can't make long trips or stand in queues to do their shopping, but our business has expanded because people have seen that we offer an effective and affordable link between vendors and customers. We are also having a positive impact on the lives of the young boys who are part of our business and who now see that they have a way to make a living, which gives them hope for the future.

Has your business been impacted by Covid-19 and the lockdown?

We started Cloudy Deliveries in February and when lockdown happened we were a bit worried that we wouldn't be able to carry on. But the business has taken off during the lockdown. In fact, since lockdown, we've been very busy because calls for deliveries suddenly spiked when people couldn't leave their homes. The boys now easily get between six and seven delivery requests a day. We obviously also have to follow the health and safety guidelines, which we do. Each of the boys are given two masks and hand sanitiser, as well as information on how to protect themselves and our clients.

What are your plans for the future?

We want to keep on improving our service and we are dedicated to working extremely hard and to paying attention to every delivery we make. We want to be known for being passionate about customer service and dedicated to making sure all our customers are satisfied. The business has reached a point where restaurant and takeaway outlets are calling us to make deliveries of food to their patrons, and we also hope to start delivering

medicines to people for the pharmacies and clinics. If all goes well, I'm hoping to finish my studies this year and fully concentrate on the business.

Has your business had interactions, good or bad, with the City of Cape Town?

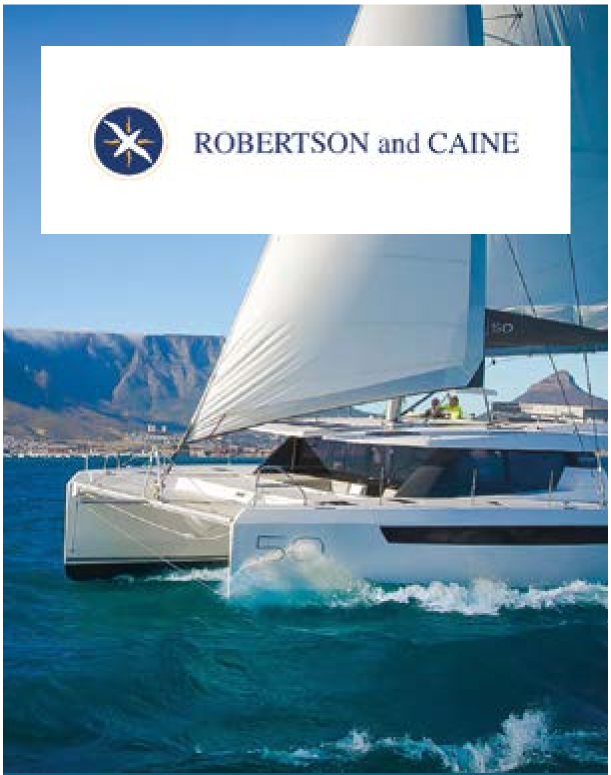
We haven't had direct interactions with the City, but a number of Cape Town organisations have helped us. We received a generous donation of bicycles from Ikhaya le Langa, a non-profit organisation aimed at boosting township enterprise. We also receive great support from *www.langaonline.co.za* and City Vision.

What's the secret to your success?

The boys are reliable and committed, and that has ensured our continued growth. Some of the residents know the boys, so they trust us and they know we are a legitimate business. The community has received us very well.

What's the best thing about having a business in Cape Town?

For me, it's just incredibly rewarding to see the community embrace our service.



ROBERTSON AND CAINE IS SOUTH AFRICA'S LARGEST BOAT BUILDER THAT MANUFACTURES FOR EXPORT, THE LARGEST BUILDER OF CATAMARANS IN THE SOUTHERN HEMISPHERE AND THE THIRD-LARGEST GLOBALLY. THEY ALSO MANUFACTURE THE MOST POWER CATAMARANS, GLOBALLY.

Briefly explain what your business is and does.

Robertson and Caine was founded by John Robertson and the late Jerry Caine in 1991. The founders have a proud 37-year history of boat building with more than 2 000 boats launched to date. The sailing (40ft, 45ft, 50ft and 58ft) and power (43ft and 53ft) catamarans we build go to buyers in some of the world's most exotic sailing grounds, including the US East Coast, the Caribbean, Seychelles, Mediterranean, Asia and South Pacific.

What role do you see your business playing in Cape Town?

We see our role as building people, who in turn build excellent boats. Robertson and Caine is a learning organisation that innovates in design and build. In addition to creating over 1 800 work opportunities, our business has helped to position Cape Town within the global boating community.

Has your business been impacted by Covid-19 and the lockdown?

We had an order book of 188 boats at the beginning of this year; these are international customers, primarily in the US, the Bahamas and the Caribbean. The pandemic reduced that pretty rapidly at the end of the first quarter down to 150 boats. And because of the extended lockdown and restrictions, the curfew for example, and having a restriction on the number of people on site, we are down to 130 boats. We have lost a massive amount of income. It's had a huge impact on us.

The lockdown itself obviously brought our operations to a halt. But while we weren't building boats, we were still working hard. In March, we established a Covid-19 action committee because we knew this was going to be big. The committee set out extensive safety and protection measures including daily screening and compulsory health and safety training for all staff. Since reopening after the lockdown, we have implemented all of these.

What are your plans for the future?

Employee safety is a number one priority as the company prepares for the 'new normal' brought on by the coronavirus pandemic. Around 50% of our workforce was back at work at the end of May. Open and honest communication with staff will be critical for businesses as we all embark on this new journey.

From a business perspective, we remain committed to our vision to diversify and develop a range of marine products for the global market, in order to secure a stable and rewarding environment for all stakeholders, including our employees, customers and the people of Cape Town.

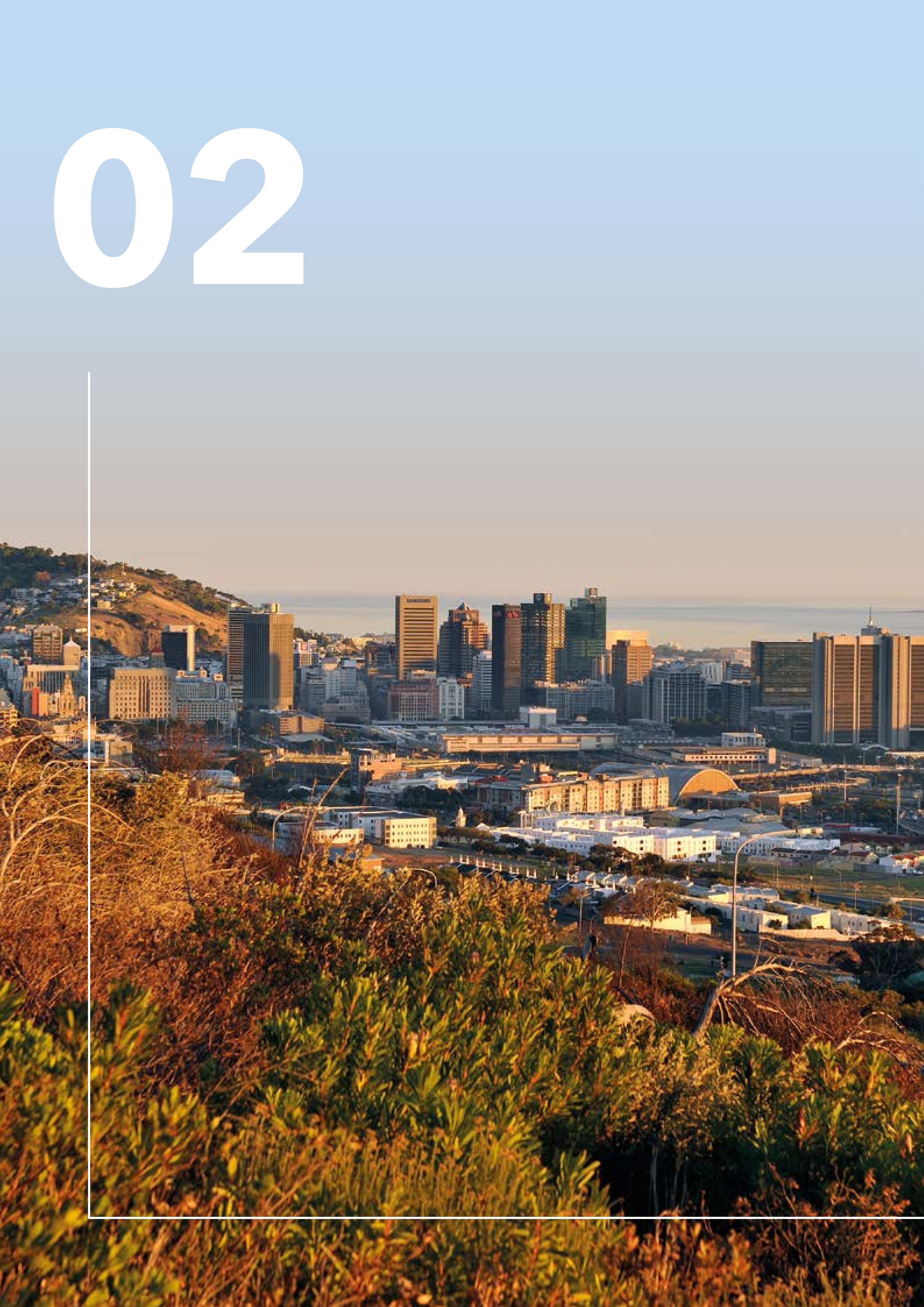
What's the secret to your success?

The simple answer is because of the quality of the people here. If there's one thing you cannot replace in Cape Town's boat-building industry, it's the people.

What's the best thing about having a business in Cape Town?

It's the ideal location for a global boat-building business. And I have incredible hope for the future of SA. We just have to get back to work.

02



OVERVIEW

CAPE TOWN OVERVIEW 2020: QUARTER 1

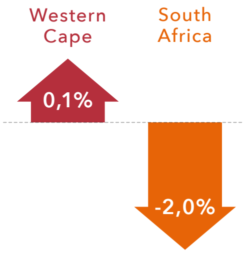
GROSS DOMESTIC PRODUCT (GDP)

The **Western Cape** accounted for **R436 billion**[a] of the **R3,13 trillion gross domestic product** (GDP) generated by **South Africa** in the first quarter of 2020. While GDP data is not available at a city level on a quarterly basis, **Cape Town** typically contributes around **72%** of the provincial GDP annually.[b]

[a] *At constant 2010 prices. Source: Quantec, 2020.*
[b] *At current prices. Source: IHS Markit, 2020.*

GDP GROWTH RATE

During the first quarter of 2020, the **Western Cape** achieved quarter-on-quarter GDP growth of **0,1%**, compared to **national GDP** growth of **-2,0%**.[c]



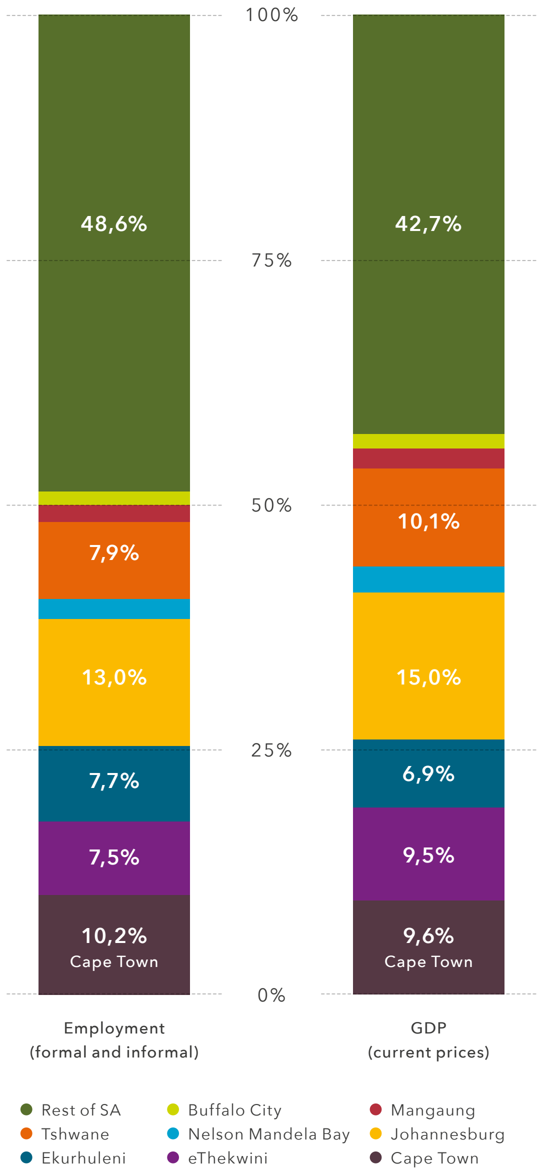
[c] *At constant 2010 prices. Source: Quantec, 2020.*

GDP PER CAPITA

In 2019, **South Africa** had a GDP per capita of **R86 083**, while the **Western Cape's** GDP per capita was **R101 098** and **Cape Town's** was **R111 364**.[d]

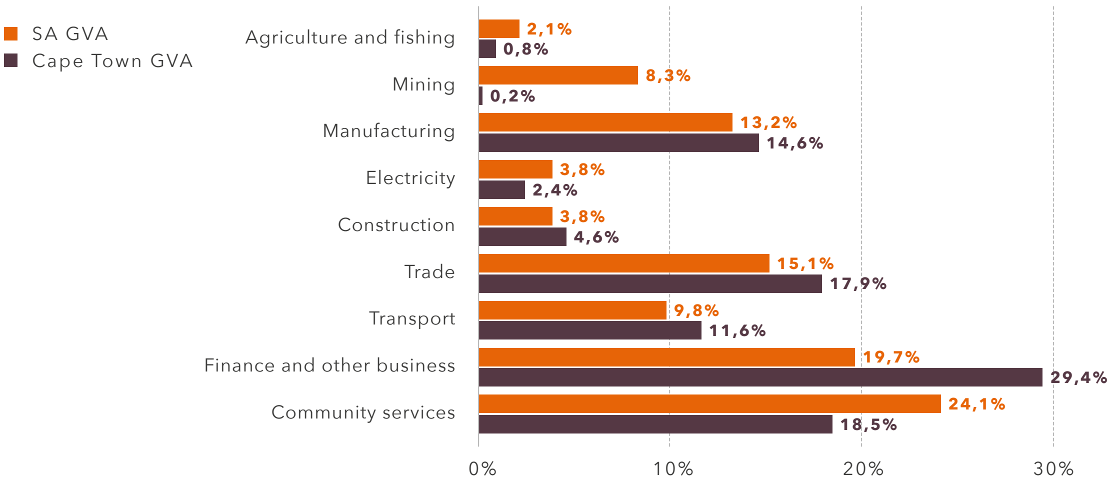
[d] *At current prices. Source: IHS Markit, 2020.*

CAPE TOWN GROSS GEOGRAPHIC PRODUCT AND EMPLOYMENT CONTRIBUTIONS TO SA, 2019[e]



[e] *Source: Statistics South Africa (StatsSA), 2020.*

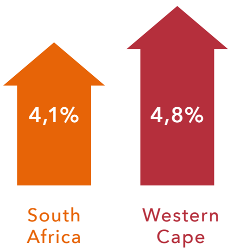
SECTORAL SHARES, CAPE TOWN GROSS VALUE ADDED (GVA) VERSUS NATIONAL GVA, 2019[f]



[f] *At current prices. Source: IHS Markit, 2020.*

INFLATION

At the end of the first quarter of 2020, **South Africa** had an inflation rate of **4,1%**. The **Western Cape's inflation rate** for the same period was **4,8%**.[g]



[g] *Source: Statistics South Africa (StatsSA), 2020.*

POPULATION

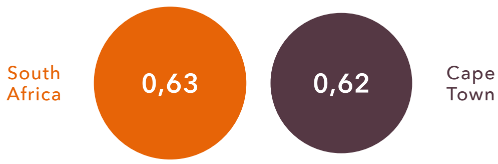
South Africa has a population of **58 775 022**. A total of **6 844 272** people (11,6% of the national population) live in the **Western Cape**. Of those, **4 488 546** are residents of **Cape Town**.[h]

[h] *Source: Statistics South Africa (StatsSA), 2020.*

GINI COEFFICIENT

In 2019, **South Africa** had a Gini coefficient* of **0,63**, while **Cape Town** had a slightly lower value of **0,62**.[i]

** The Gini coefficient measures inequality in levels of income.*

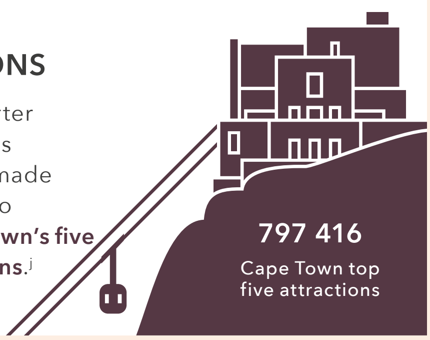


[i] *Source: IHS Markit, 2020.*

VISITOR ATTRACTIONS

In the first quarter of 2020, tourists and residents made **797 416 visits** to **four of Cape Town's five major attractions**.[j]

(See page 9)



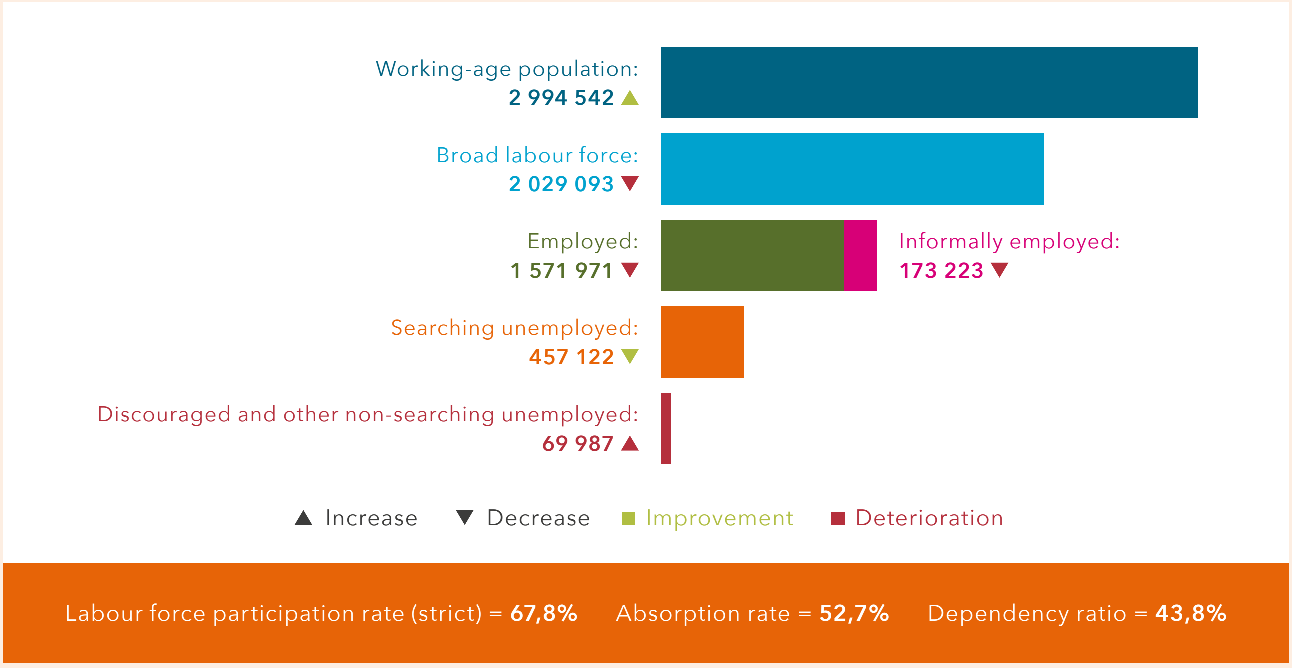
[j] *Source: Cape Town Tourism and Wesgro, 2020.*

AIR PASSENGER MOVEMENTS

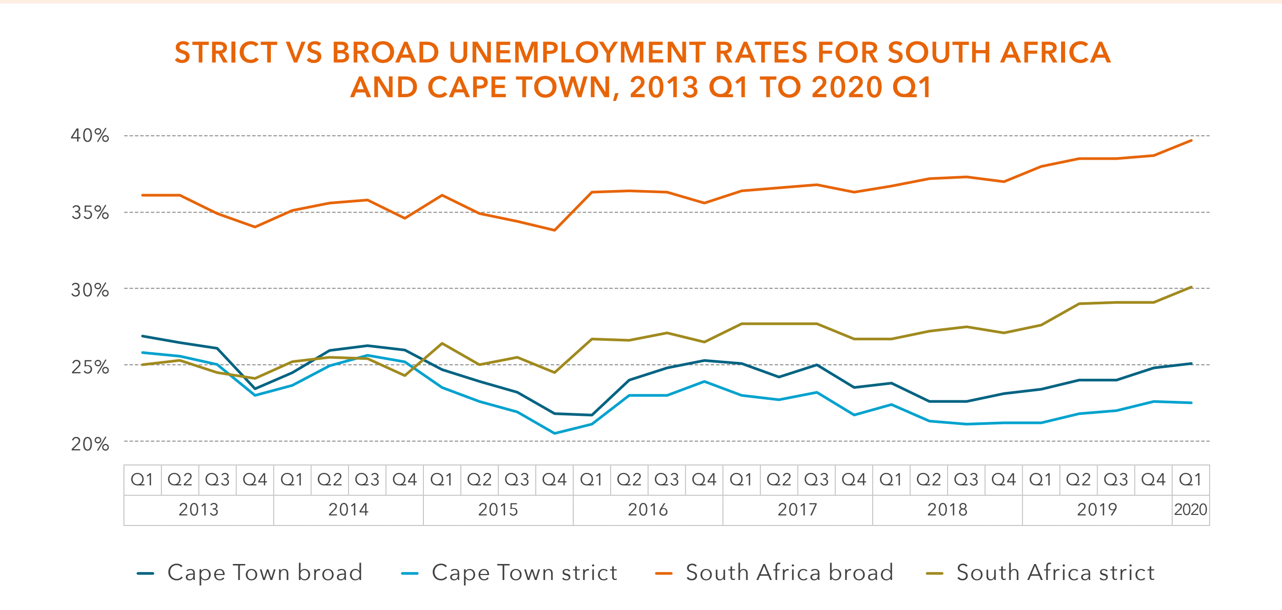
Of the **8 300 622** passenger movements through **South Africa's three international airports**[k] during the third quarter of 2019, **2 571 074** were through **Cape Town International Airport**.[l]

[k] *Cape Town, OR Tambo and King Shaka.*
[l] *Source: ACSA, 2020.*

LABOUR OVERVIEW 2020: QUARTER 1



Source: Statistics South Africa, Quarterly Labour Force Survey, 2020 Quarter 1, June 2020.



Source: Statistics South Africa, Quarterly Labour Force Survey, 2020 Quarter 1, June 2020.

03

ECONOMIC GROWTH

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

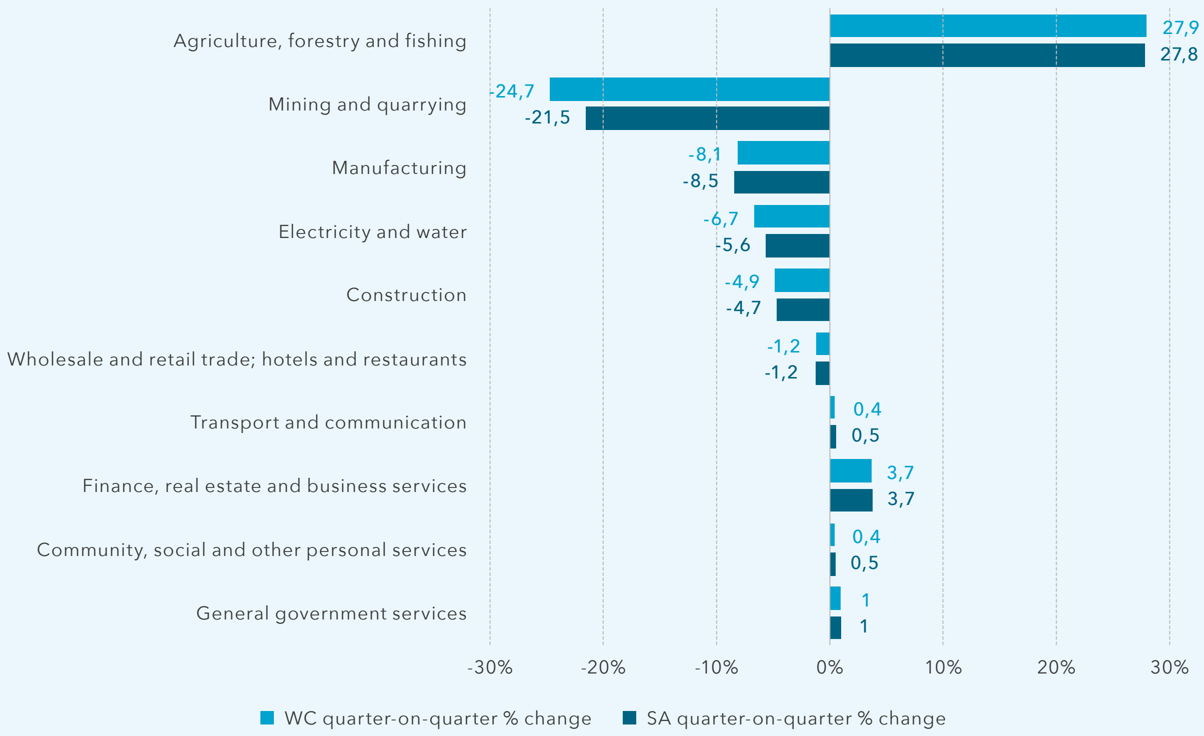
QUARTER-ON-QUARTER ECONOMIC PERFORMANCE

The Western Cape economy contributes around 14% of South Africa's gross domestic product (GDP). In the first quarter of 2020, the national economy recorded growth of -2,0%,[1] thereby remaining in recession,[2] whereas the provincial economy grew by 0,1% during this period. While the province's economic performance is typically closely aligned to the country's economic performance, the disparity in overall GDP growth rates of the province and country can be attributed to the different sectoral structures of their respective economies.

As was the case with national economic performance, the Western Cape's growth in the first quarter of 2020 was driven by the agriculture sector, which grew by 27,9% and added 0,9 of a percentage point to total growth. At the same time, the 27,8% growth seen in the national agriculture sector added 0,6 of a percentage point to the country's overall economy. The finance sector grew by 3,7% in both the national and provincial economies, but added 0,8 and 1,2 percentage points to their respective total growth rates. The largest contraction for the period was seen in the mining sector. At a national level, this sector contracted by 21,5%, subtracting 1,9 percentage points from total economic growth. In the Western Cape, the mining sector contracted by 24,7%, but only negatively impacted on provincial economic growth to the tune of -0,1 of a percentage point overall.

At the national level, five sectors performed poorly (heavily weighed down by the mining and manufacturing sectors), resulting in a combined 3,5 percentage points from being subtracted from total economic growth. This poor performance undermined that of the remaining five sectors, which added a combined 1,7 percentage points to total growth in the first quarter of 2020. At provincial level, the same five sectors recorded negative growth and subtracted a combined 1,8 percentage points from total growth. However, this was offset by the better performance of the other five sectors (notably finance), which recorded positive growth and added a combined 2,3 percentage points to total growth. These trends are shown in Figure 1 and Figure 2.

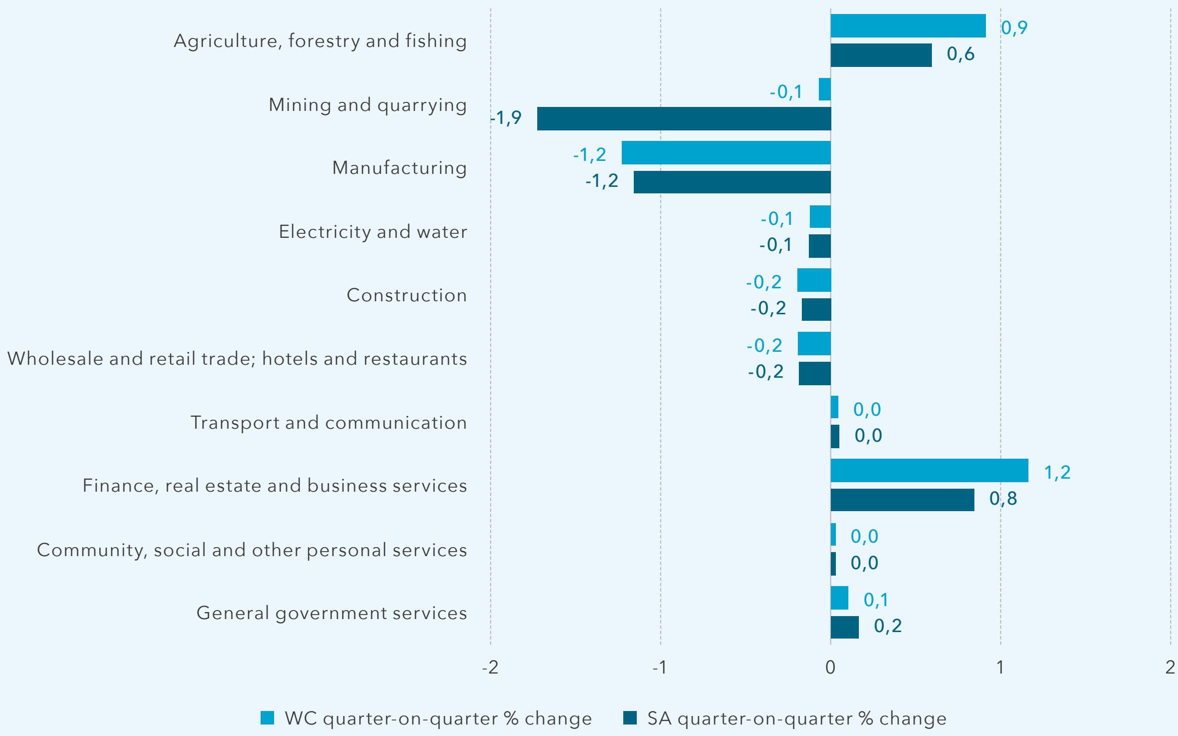
FIGURE 1: SECTORAL REAL GDP-R GROWTH RATES IN THE WESTERN CAPE AND SOUTH AFRICA, 2020 Q1



Source: Quantec, 2020.

[1] *Unless otherwise stated, quarter-on-quarter growth rates are seasonally adjusted and annualised.*
[2] *A 'technical recession' is defined as two consecutive quarters of negative real GDP growth.*

FIGURE 2: SECTORAL CONTRIBUTIONS TO THE WESTERN CAPE AND SOUTH AFRICA GROWTH RATES, 2020 Q1



Source: Own calculations, Quantec, 2020.

Cape Town is the major contributor to most economic sectors in the Western Cape. In particular, it comprises 82% of the province's finance and business services, 77% of its transport and 73% of its wholesale and retail trade, as well as 69% of its manufacturing and 63% of its construction sectors (IHS Markit, 2020). As such, it is safe to assume that the city will have experienced very similar growth rates to those seen at a provincial level in these sectors in the first quarter of 2020.

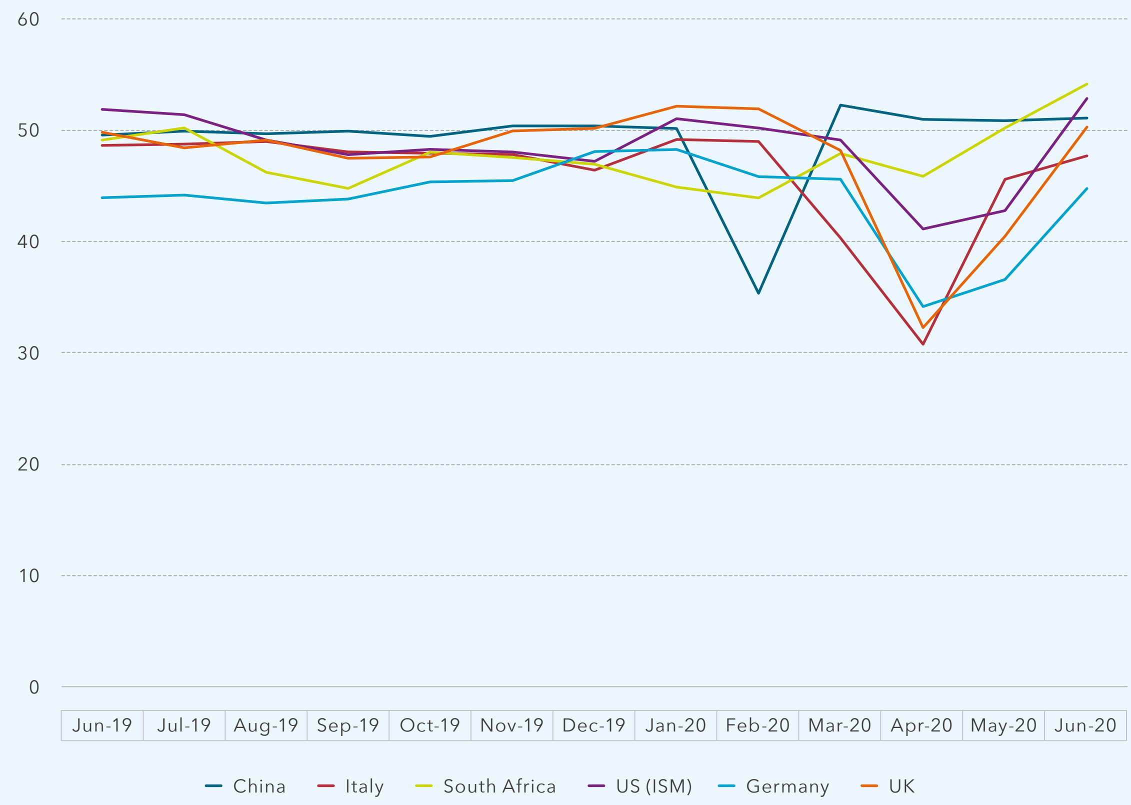
In contrast to this high contribution by the city to the tertiary sector output of the province, its contribution to the Western Cape's total primary sector GGP is only 18% (IHS Markit, 2020). Thus, it is difficult to make inferences about the performance of the city's primary sector based on the primary sector GGP growth witnessed for the Western Cape as a whole. 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 2020 would have been driven primarily by the finance, community services and trade sectors, which in 2018, comprised 36%, 17% and 16% of the city's economy, respectively. Given that the finance sector was the largest positive contributor to economic growth at a provincial level in the first quarter, it is reasonable to believe that its impact on Cape Town's economy would have made up for the smaller, but still positive, impact of agriculture sector growth in this period. Nevertheless, Cape Town's economy entered the prolonged lockdown period from a relatively weak starting position.

THE EFFECTS OF COVID-19 ON THE GLOBAL ECONOMY

According to the International Monetary Fund (IMF), the so-called 'Great Lockdown' – an unprecedented global response to the pandemic – is triggering the worst recession since the Great Depression, with 2020 global growth forecast at -4,9% (IMF, June 2020). In 2021, global growth is projected at 5,4%, leaving 2021 GDP some 6,5 percentage points lower than in pre-Covid-19 projections, with an output loss of more than USD12 trillion. The World Bank posits similar figures, with a 2020 recession of 5,2%, followed by a 4,2% recovery in 2021.

Most countries are anticipating declines in GDP, at least for the first two quarters of 2020, due to the predominantly demand-side nature of the shock. The graph in Figure 3 shows South Africa's Purchasing Manager's Index (PMI) together with that of other source markets. While these PMI indices cannot be compared against each other,[3] it is interesting to note when each of the countries experience a dip in their respective index. South Africa's PMI shows a decline in January, February and April, with the former two months likely reflecting the supply chain disruptions caused by lower production in China. The decline in the index in April is in line with the experiences of a number of countries as they entered their respective lockdowns. The only country to experience a decline in May and June was China, which points to the potential for recurring shocks for South Africa.

FIGURE 3: MANUFACTURING PMI OF SOURCE MARKETS AND SA



Source: Investing.com, 2020.
Note: The 'Suppliers Performance' is a sub-component of the PMI. This is an inverted component and it usually shows increased business activity in a spike. The spike in April 2020 indicated slower deliveries due to lockdown.

[3] *No direct comparison can be made as each country's PMI is based on its respective methodology which may not be the same.*

COVID-19'S IMPACT ON THE SOUTH AFRICAN ECONOMY

Prior to the outbreak of Covid-19 in South Africa, the country was already in a technical recession, with two consecutive quarters of negative economic growth. This extended into a third quarter for the national economy in the first quarter of 2020. The impact of the pandemic on South Africa's major trade and tourism markets in February and March, coupled with existing systemic weaknesses in the national economy, severely constrained the country's ability to post positive economic growth figures in the first quarter of 2020. Against this backdrop, in quarter 2 of 2020, the preventative measures put in place by national government to 'flatten the curve' – including the 21-day full lockdown – paved the way for a more severe and prolonged recession.

The outbreak of the Covid-19 pandemic, together with the Moody's downgrade, resulted in the lowest business confidence[4] ever recorded in the BER/FNB Business Confidence Index. The first quarter of 2020 saw business confidence at an all-time low of 18, which dipped even further, to just five, in quarter 2 (BER, 2020a). This indicates an extreme lack of confidence in prevailing business conditions by participants in five sectoral indices, namely manufacturers, building contractors, retailers, wholesalers and new vehicle dealers. The Business Confidence Index is a leading indicator of economic activity, and therefore informed the BER forecast at the time of a 9,5%[5] decline in South Africa's GDP for 2020 (BER, 2020b).

[4] *Business confidence can vary between 0 and 100, where 0 indicates an extreme lack of confidence, 50 neutrality, and 100 extreme confidence.*
[5] *BER forecast to SA real GDP for 2020 revised to -8,7% (31 July 2020).*

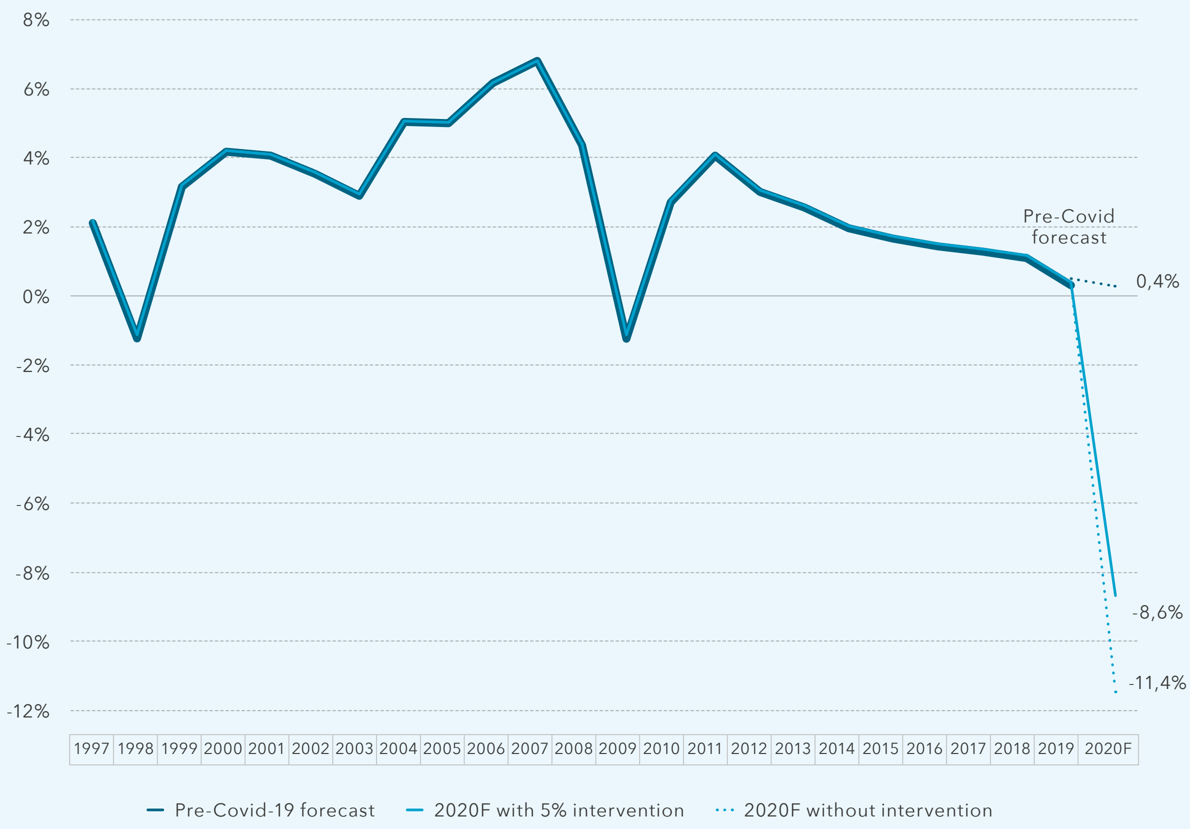
CAPE TOWN GDP FORECAST FOR 2020

The Economic Analysis branch in the City of Cape Town (City), together with the economics team at PwC, modelled the potential impact of the Covid-19 pandemic on the local economy. An economic input/output model was used, capturing the loss in GDP through the interdependencies of the different sectors of the economy. The analysis was driven by a set of informed assumptions, but uncertainty remains high and, as a result, the figures should not be taken as precise estimates. Rather, they provide broad indications of the order of magnitude of the potential impacts in different scenarios, based on information available at the time of the modelling.

The transmission channels of impact used in the model include: supply chain disruptions through exports to the rest of South Africa and the world; Business Process Outsourcing (BPO) disruptions; business uncertainty; and sector-specific impacts on tourism, retail and wholesale, and leisure (restaurants). The model involved shocking these channels on a monthly basis, from March through to December, with different recovery/reopening paths based on potential policy decisions and consumer demand impacts, including behavioural change or illness. Policy interventions from national government and the South African Reserve Bank (SARB) were also considered and their mitigation impacts included.

The figure below shows historical GDP growth in Cape Town from 1997, including the City forecast for 2020, with and without fiscal intervention. Pre-Covid-19, Cape Town growth was forecast to be around 0,4% for 2020, represented by the uppermost dashed line. The lower dashed line represents the 2020 forecast with no interventions. The middle line includes the mitigating impact of Cape Town (residents and businesses) receiving 5% of the national fiscal relief package announced by President Ramaphosa. The steep recession for 2020 shows the extent of the economic fallout from the pandemic, which is forecast to be at least four times greater than the financial crisis of 2009.

FIGURE 4: CAPE TOWN GDP GROWTH, 1997 TO 2020F



Source: Own calculations, IHS Markit, 2020.

The mitigating effects of policy interventions are shown in the table below. If the City receives 8% of the total fiscal intervention that is likely to flow through the South African economy (R192 billion), and including monetary policy intervention of large repo rate reductions, the resultant overall GDP loss is estimated to be 7,6%. If Cape Town receives 5% of the fiscal intervention, the resultant loss in GDP is estimated at 8,6% for 2020.

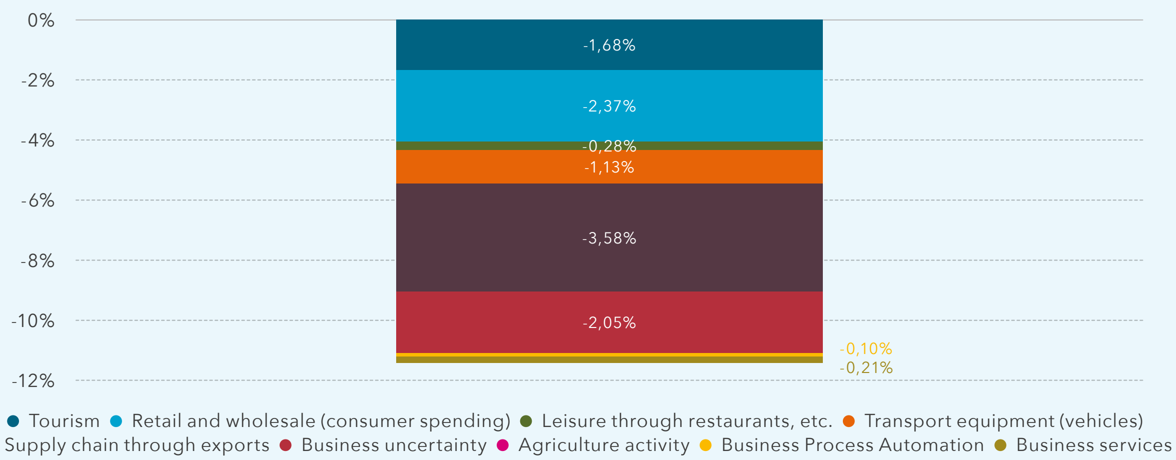
TABLE 1: THE IMPACT OF POLICY INTERVENTIONS ON GDP FORECASTS

IMPACTS BEFORE AND AFTER INTERVENTIONS	
Total GDP loss	-11,4%
GDP gain due to fiscal intervention @8%	2,6%
GDP gain due to monetary intervention	1,2%
Total GDP loss after intervention	-7,6%
GDP gain due to fiscal intervention @5%	1,6%
GDP gain due to monetary intervention	1,2%
Total GDP loss after intervention	-8,6%

Source: Own calculations, 2020.

Figure 5 below shows the varying contribution of each transmission channel to the forecast GDP decline, with no interventions considered. The largest contributor to the overall 11,4% decline is the supply chain through exports, contributing 3,58 percentage points. This is followed by retail and wholesale (2,37 percentage points) and business uncertainty (2,05 percentage points).

FIGURE 5: GDP FORECASTS FOR CAPE TOWN 2020, EXCLUDING FISCAL AND MONETARY INTERVENTIONS



Source: Own calculations, 2020.

04

COVID-19 SURVEY RESULTS FOR CAPE TOWN BUSINESSES

The Western Cape Government's (WCG) Department of Economic Development and Tourism (DEDAT) undertook an extensive survey of businesses in the province to determine the impact that the Covid-19 pandemic was having. This section provides a summary of the survey responses by businesses with a single site based within the Cape Town municipal boundaries. This sample comprises 884 small-, medium- and micro enterprises (SMMEs).

REPORTED REVENUE AND DEMAND IMPACT ON CAPE TOWN BUSINESSES

To further understand the sectoral impacts of the pandemic on the local economy, the results of the business survey[6] were analysed. As indicated by Table 2, the responses linked to Cape Town were predominantly from micro enterprises (520 businesses), followed by small businesses (323 businesses) and medium-sized enterprises (41 businesses).

TABLE 2: NUMBER OF BUSINESSES SURVEYED IN CAPE TOWN BY SECTOR AND TYPOLOGY

SECTOR	MICRO ENTERPRISE	SMALL BUSINESS	MEDIUM-SIZED	TOTAL	PERCENTAGE SHARE (%)
Agriculture	14	23	5	42	4,8%
Manufacturing	65	37	10	112	12,7%
Electricity	1	4	0	5	0,6%
Construction	66	67	6	139	15,7%
Trade	144	64	6	214	24,2%
Transport	50	30	4	84	9,5%
Finance	62	37	2	101	11,4%
Community services	94	52	8	154	17,4%
Tourism	24	9	0	33	3,7%
Total	520	323	41	884	100,0%

Source: Department of Economic Development and Tourism, WCG, 2020.

Approximately 73% of the businesses surveyed in Cape Town have an annual turnover between R10 000 and R10 million, while only 10% of businesses generate an annual turnover of more than R10 million.

Businesses were asked about the impacts of the pandemic and lockdown response that they expected to see on their revenues over the three months from April to June 2020, as well as the six months from April to September 2020. The results reveal that 44% of participating businesses anticipated no revenue over the three-month period, while a combined 53% anticipated that their revenue would decline by 20% or more. Only 1% of participants anticipated an increase of more than 20% in revenue over the period.

In comparison, over the six-month period, 23% of the businesses anticipate no revenue, with the expectation that lockdown restrictions will ease over this timeframe. A combined 71% anticipate a decline of revenue of over 20% for the period, indicating that businesses are preparing for lower consumer demand and a delayed recovery.

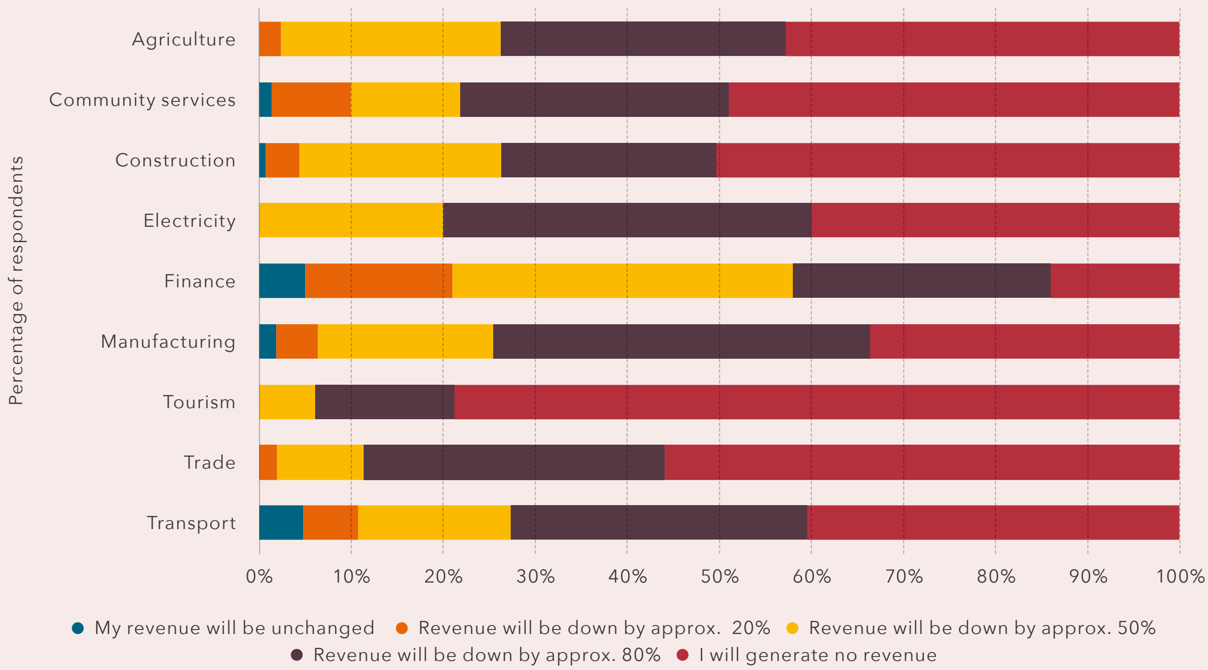
Figure 6 shows that businesses in the tourism sector are most likely to receive no income (79%). This reflects the anticipated impact of the closure of borders and the cessation of on-site business activities not classified as essential (Disaster Management Act, No. 57 of 2002, Regulation 2020). Revenue loss for businesses in the finance sector are expected to be the lowest when compared to other sectors. This sector saw the smallest percentage (14%) of respondents anticipating no revenue generation, and the joint highest percentage (5%) anticipating no impact on revenue. This can be attributed to the sector's flexibility in terms of being able to offer online services and continue operations via remote working arrangements.

Only 1% of the surveyed businesses indicated that they expect their revenue to increase in the three-month period. These businesses are likely to be manufacturers of essential goods that were permitted to operate during the lockdown. That said, a higher number of businesses were optimistic about the medium term, with 4% anticipating that their revenue will increase over the six-month period. Most of these (26%) are in the trade sector.

Many of the businesses surveyed have customer bases within the domestic market and are therefore subject to constrained local demand and lower consumer disposable incomes due to weak economic growth and the uncertainty associated with the lockdown's restrictions on economic activity. Just 11% of these businesses, most of which are in the manufacturing and trade sectors, have an export component. Of these, approximately 18% indicated that over half of their turnover is related to exports, which they expected to decline during lockdown.

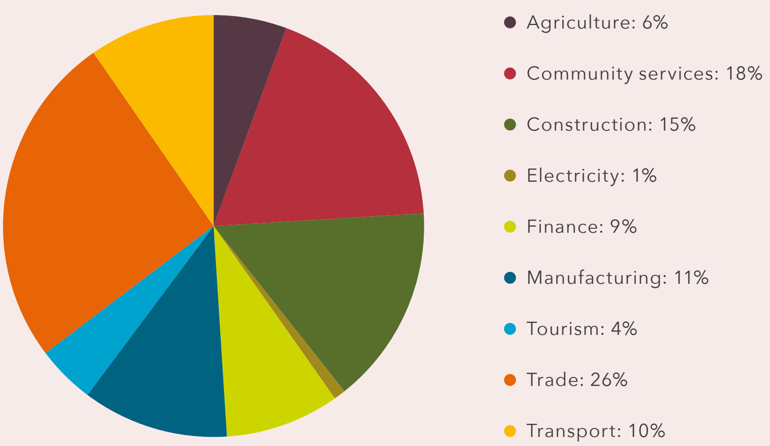
The survey further revealed the nature and extent of the lockdown's impact on existing business contracts, with half of the businesses indicating that they had to cancel contracts, leading to an average loss of R141 902. As indicated in Figure 7, businesses in the trade sector (26%) saw the most contract cancellations, followed by community services (18%) and construction (15%).

FIGURE 6: ANTICIPATED IMPACT ON BUSINESS REVENUE OVER THE THREE-MONTH PERIOD FROM APRIL TO JUNE 2020



Source: Department of Economic Development and Tourism, WCG, 2020.

FIGURE 7: PERCENTAGE OF BUSINESSES WHO HAD TO CANCEL CONTRACTS DUE TO THE LOCKDOWN



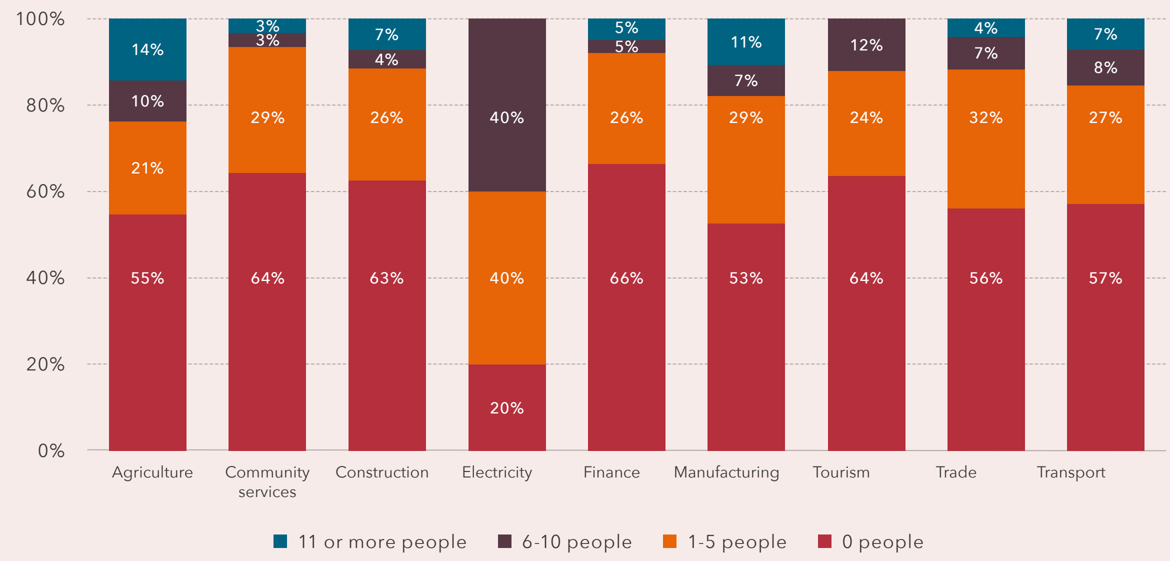
Source: Department of Economic Development and Tourism, WCG, 2020.

[6] *The WCG Business Survey was conducted between 3-14 April 2020 and had a total of 2 150 respondents within the Western Cape province.*

EMPLOYMENT IMPACTS ON CAPE TOWN BUSINESSES

The DEDAT Business Survey (WCG, 2020) revealed that 59% of the surveyed businesses in Cape Town employ up to five people, 27% of the businesses employ between six and 20 people and 14% employ more than 20 people. On a positive note, the findings revealed that 525 of the businesses surveyed (59%) are not considering retrenching their staff, despite the uncertainty and concerns about revenue generation. Figure 8 shows that 14% of the businesses in the agriculture sector will potentially retrench more than 11 staff members. When considering the number of businesses across all the sectors, the manufacturing (12 businesses) and construction (10 businesses) sectors are likely to retrench the most people.

FIGURE 8: PROPORTION OF BUSINESSES CONSIDERING RETRENCHMENTS BY NUMBER OF (EXPECTED) STAFF RETRENCHMENTS



Source: Department of Economic Development and Tourism, WCG, 2020.

The increasing trend of remote working has afforded many businesses a mechanism by which to continue some level of business operations while minimising the risk of staff retrenchments. According to the survey results, 65% of respondents can utilise work-from-home arrangements and 18% of the businesses can do so at their full staffing capacity. This finding echoes the results of a recent University of Cape Town study which found that 13,8% of the South African working population is able to work from home (DataFirst, 2020).

As expected, the trade sectors have the greatest proportion of staff that are unable to work from home (47,2%) as most of the activities require on-site presence. Around half of the businesses in the agriculture sector are also unable to implement work-from-home arrangements, but many are considered an essential service and can therefore continue their operations normally. The finance sector has the highest proportion of staff that can work from home (49,5%), with only 3% of businesses in this sector indicating that none of their staff will be able to operate remotely.

TABLE 3: PERCENTAGE OF STAFF THAT CAN WORK FROM HOME, PER SECTOR

SECTOR	PERCENTAGE OF STAFF THAT CAN WORK FROM HOME					
	NONE	1-24 %	25-49 %	50-74 %	75-99 %	ALL
Agriculture	47,6%	42,9%	2,4%	4,8%	2,4%	0,0%
Community services	33,8%	29,9%	8,4%	7,8%	4,5%	15,6%
Construction	44,6%	34,5%	2,9%	8,6%	0,7%	8,6%
Electricity	40,0%	40,0%	0,0%	0,0%	20,0%	0,0%
Finance	3,0%	17,8%	2,0%	18,8%	8,9%	49,5%
Manufacturing	32,1%	43,8%	4,5%	8,0%	2,7%	8,9%
Tourism	33,3%	21,2%	6,1%	9,1%	0,0%	30,3%
Trade	47,2%	26,6%	4,2%	8,4%	1,4%	12,1%
Transport	26,2%	26,2%	2,4%	9,5%	6,0%	29,8%

Source: Department of Economic Development and Tourism, WCG, 2020.

05

INFLATION

Price fluctuations of goods and services in an economy are measured by the Consumer Price Index (CPI) inflation rate and Producer Price Index (PPI) inflation rate. The CPI measures the change in the cost of living for households and the PPI measures the change in the cost of production.

INFLATION OVERVIEW

At the end of the first quarter of 2020, the CPI had marginally increased to 4,1% from 4,0% at the end of the fourth quarter of 2019. As illustrated in Figure 9, the CPI was 4,5% in January, increasing slightly to 4,6% in February and decreasing to 4,1% in March. Encouragingly, the headline inflation rate remained below the upper end of the inflation target range (6%) for the first quarter. This has been the case every quarter since the second quarter of 2017. According to Statistics South Africa (Stats SA, 2020), the main contributors to the overall CPI inflation rate for March 2020 included food and non-alcoholic beverages, housing and utilities, transport and miscellaneous goods and services. The Monetary Policy Committee (MPC) statement of April 2020 (SARB, 2020a) pointed out that inflation levels have been impacted by the Covid-19 pandemic, with commodity prices falling sharply as a result of weaker global demand. The rand has depreciated by 22,6% since January 2020 against the US dollar, placing upward pressure on inflation, but it is still expected that the overall impact will be muted.

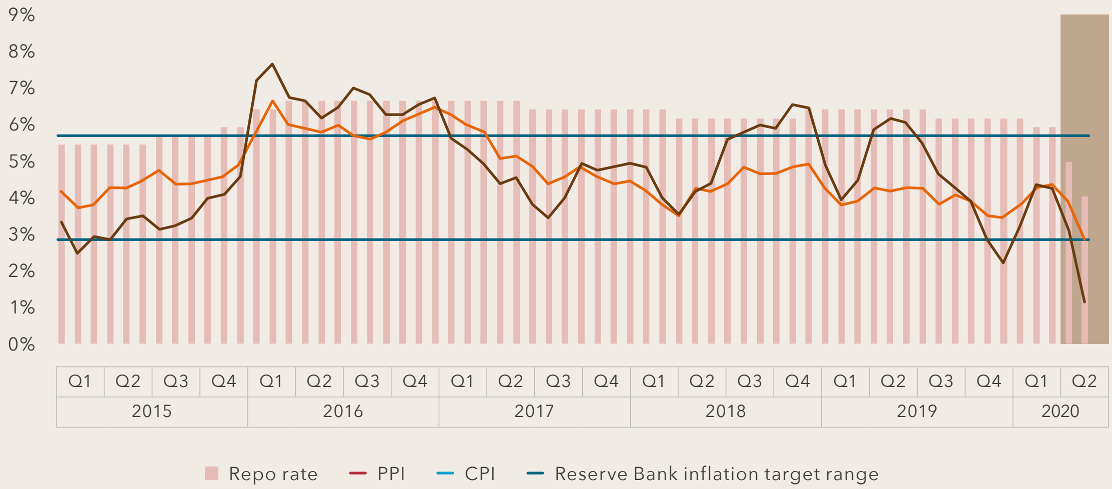
For the first quarter of 2020, the PPI increased to 4,1%, after averaging a relatively low figure of 2,9% during the previous quarter. It recorded monthly readings of 4,6% in January, decreasing to 4,5% in February and then dropping further, to 3,3% in March 2020. The main inflationary contributors to PPI in March (in terms of final manufactured products) were the prices of food products, beverages and tobacco products, transport equipment, metals, machinery, equipment and computing equipment, and coke, petroleum, chemical, rubber and plastic products.

Figure 9 also illustrates changes in the repurchase rate (repo rate). This is the interest rate at which the South African Reserve Bank lends money to the country's banks. As indicated in the graph, the repo rate was cut twice during the first quarter of 2020, bringing it down by a total of 125 basis points. According to the MPC statement of January 2020 (SARB, 2020b), the decision to lower the repo rate by 25 basis points during January 2020 (to 6,25%) was against a backdrop of moderate to low inflation expectations, a poor economic climate and weak business confidence.

In March, the country began to feel the full impact of Covid-19, leading the MPC to lower the repo rate by an additional 100 basis points to 5,25% in that month. According to the MPC statement of March 2020 (SARB, 2020c), the key reason for the downward revision was the Covid-19 outbreak and spread, which negatively influenced the global economic growth outlook, as well as the country's health and social conditions. It further noted that the moderate inflation expectations, uncertainty regarding electricity prices, and the possibility of sudden changes in demand and supply that will create higher volatility in the prices of goods and services also lent weight to the repo rate reduction decision.

As a result of the Covid-19 pandemic, and to bring much needed financial relief, the MPC decided to cut the repo rate again in April and May, reducing the rate by a further 150 basis points in total over those two months. These series of reductions have meant that, in 2020, the repo rate has been cut by 275 basis points, to reach a record low of 3,75% at the time of writing.

FIGURE 9: CPI AND PPI TRENDS FOR SOUTH AFRICA, JANUARY 2015 TO MARCH 2020



Source: CPI and PPI extracted from Statistics South Africa, 2020; repo rate extracted from SARB, 2020.
Note: March and April 2020 have been shaded above to highlight lockdown impacts.

ESSENTIAL PRODUCTS INFLATION DURING LOCKDOWN

When South Africa's lockdown response to Covid-19 came into effect on 27 March, products available for purchase were limited to a set of defined essential goods and services. Since the start of the lockdown, Stats SA has been tracking price changes of essential goods that appear in the CPI basket on a weekly basis.

By recording prices charged for these items by online retailers, Stats SA was able to compile an Essential Products Consumer Price Index (EP–CPI)[7] and track the week-on-week price changes of essential goods as shown in Table 4.

TABLE 4: ESSENTIAL PRODUCTS CONSUMER PRICE INDEX FOR APRIL 2020

CATEGORIES	WEEK-ON-WEEK PERCENTAGE CHANGE				CUMULATIVE PERCENTAGE CHANGE
	2-9 April	9-16 April	16-23 April	23-30 April	2-30 April
Food	0,6	-0,2	-0,2	-0,7	-0,5
Bread and Cereals	0,0	0,3	-0,2	-0,6	-0,5
Meat	0,6	0,1	-0,5	-1,2	-1,0
Fish	-1,2	-0,1	-0,4	0,8	-0,9
Milk, eggs and cheese	4,2	-1,2	-0,3	0,2	2,8
Oils and fats	2,1	0,2	0,1	-1,2	1,2
Fruit	-6,6	-3,2	6,5	0,5	-3,2
Vegetables	-2,3	-0,6	-1,8	0,0	-4,6
Sugar, sweets and desserts	0,0	-0,8	0,1	-1,2	-1,9
Other food	0,7	-0,2	1,7	-1,8	0,4
Non-alcoholic beverages	0,7	0,3	-0,8	-0,5	-0,3
Hot beverages	1,5	1,2	-1,1	-1,0	0,6
Cold beverages	0,2	-0,3	-0,7	0,0	-0,8
Household maintenance and supplies	1,1	0,4	0,8	-1,2	1,1
Health	0,3	-0,2	1,3	-1,3	0,1
Recreation	1,3	-1,3	1,6	-1,6	0,0
Miscellaneous	-0,6	-0,9	-1,4	0,4	-2,5

Source: Statistics South Africa, April 2020.

Table 4 shows that food prices decreased by 0,5 of a percentage point over April. The majority of the prices for food category items deflated, with the exception of: milk, eggs and cheese (2,8 percentage points); oils and fats (1,2 percentage points); and other food (0,4 percentage points). Prices for non-alcoholic beverages fell by 0,3 percentage points, driven mostly by cold beverages, which deflated by 0,8 of a percentage point. Household maintenance and supplies, as well as health products, saw an increase in prices by 1,1 and 0,1 percentage points respectively. Prices for miscellaneous products[8] decreased by 2,5 percentage points.

During lockdown, the Competition Commission received a number of complaints, mostly linked to price increases for essential goods, including basic food items. The Competition Commission reported that businesses had increased prices as a result of increases in demand, panic buying, input and import cost increases, rand depreciation and supply disruptions due to Covid-19 (BusinessTech, 2020). Investigations into these complaints saw retail giant Dis-chem Pharmacies being charged for price gouging (Kubheka, 2020), while a number of smaller retailers opted for price freezes and refund offers to affected customers to avoid legal action (The Citizen, 2020).

[7] *The index is based on a much smaller basket of goods and services, comprising just under 20% of the weight and 187 of the 412 products in the CPI basket. Food and NAB products dominate, comprising 89,1% of the EP–CPI basket (Stats SA, 2020).*

[8] *Miscellaneous goods and services include personal care, personal effects not elsewhere classified, social protection, insurance, financial services not elsewhere classified, and other services not elsewhere classified (Stats SA, 2020).*

06

LABOUR MARKET

The labour market is the point at which economic production meets human development. As such, employment creation and unemployment reduction are top priorities for all spheres of government. Labour market performance is tracked through a variety of indicators, many of which are considered in this section.

CAPE TOWN'S LABOUR MARKET PERFORMANCE IN THE FIRST QUARTER OF 2020

Cape Town's working age population (2,99 million) increased on both a quarter-on-quarter and year-on-year basis in the first quarter of 2020. The actual labour force increased on a quarter-on-quarter basis, but decreased at a year-on-year level to a total of 2,02 million individuals. Discouragingly, employment figures decreased on both a quarter-on-quarter (-29 289) and on a year-on-year (-11 588) level, recording a total of 1,57 million employed individuals. The increase in the working age population, coupled with the decrease in employment for the quarter, resulted in the labour absorption rate decreasing to 52,5% from 53,7% in the fourth quarter of 2019. Similarly, the labour force participation rate decreased from 69,4% to 67,8% in the first quarter of 2020.

Formal and informal employment decreased on both a quarter-on-quarter and year-on-year basis, to a total of 1,28 million and 173 000 individuals respectively. This marks the third consecutive quarter in which a decline in informal employment has been recorded for Cape Town. The share of total employment that is made up by informal employment decreased to 11,0% from 11,7% in the fourth quarter of 2019.

The number of unemployed people in Cape Town decreased on a quarter-on-quarter basis (by -11 680) while increasing on a year-on-year (by +30 992) basis, to record a total of 457 122 individuals at the end of the first quarter of 2020. The changes recorded in employment, unemployment and the labour force for the first quarter resulted in a lower strict unemployment rate of 22,5%, compared to that of the previous quarter (22,6%).

The youth unemployment rate in Cape Town, defined as the strict unemployment rate for individuals aged 15 to 24, was estimated at 49,7% in the first quarter of 2020, having increased from 46,0% in the previous quarter. Similarly, on a year-on-year basis, youth unemployment increased from 44,7% in the same period of 2019. While this remains below the national youth unemployment rate of 59,0% (increasing from 58,1% in the previous quarter), it is still notably high by average developing country standards and continues to pose a key challenge for economic policymakers in the city.

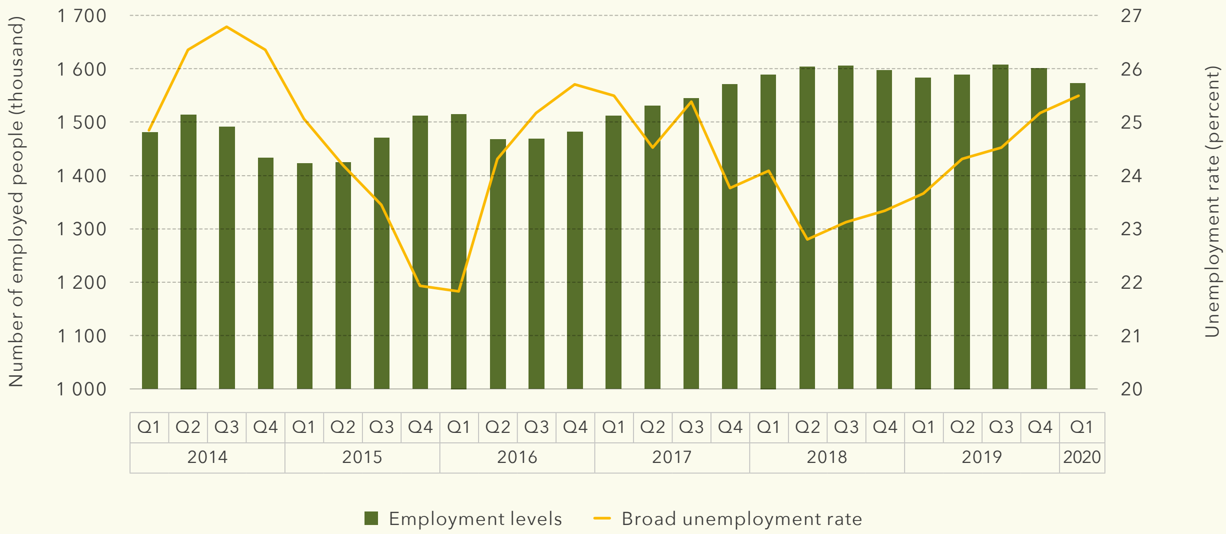
TABLE 5: CAPE TOWN LABOUR MARKET INDICATORS

METRO	RECORDED			QUARTER-ON-QUARTER CHANGE	YEAR-ON-YEAR CHANGE
	2020 Q1	2019 Q4	2019 Q1	(vs 2019 Q4)	(vs 2019 Q1)
Working-age population	2 994 542	2 980 978	2 939 860	13 563	54 682
Labour force	2 029 093	2 070 062	2 009 689	-40 969	19 404
Employed: Total	1 571 971	1 601 260	1 583 559	-29 289	-11 588
Employed: Formal sector	1 289 325	1 309 253	1 302 735	-19 928	-13 410
Employed: Informal sector	173 223	188 065	186 695	-14 842	-13 472
Unemployed	457 122	468 802	426 130	-11 680	30 992
Not economically active	965 449	910 917	930 171	54 532	35 278
Discouraged work-seekers	26 728	20 870	23 707	5 858	3 020
Other not economically active	938 721	890 047	906 464	48 675	32 258

Source: Stats SA, Quarter Labour Force Survey, 2020 Quarter 1, June 2020.

The number of discouraged work-seekers increased on both a quarter-on-quarter (up 5 858) and year-on-year (up 3 020) basis, to record a total of 26 728 individuals in the first quarter. This is the highest recording for this category since the start of the Quarterly Labour Force Survey (QLFS). The increase in discouraged work-seekers and decrease in employment outweighed the decrease recorded in the (searching) unemployed category in the first quarter. This resulted in an overall increase in the broad unemployment rate to 25,1%, from 24,8% in the previous quarter. At 25,1%, Cape Town's broad unemployment rate remained lower than any of the other metros in South Africa.

FIGURE 10: EMPLOYMENT VERSUS BROAD UNEMPLOYMENT RATE FROM 2014 Q1 TO 2019 Q1



Source: Stats SA, Quarterly Labour Force Survey, 2014 to 2020.

SECTOR EMPLOYMENT TRENDS FOR CAPE TOWN

Figure 11 presents the change in the level of employment by sector in Cape Town in the first quarter of 2020. Four sectors made a positive quarter-on-quarter contribution to employment creation, with the highest contributions coming from trade, hotels and restaurants (4 361) and the agriculture, forestry and fishing (3 843) sectors. The private household sector also made a positive contribution (1 638) to total employment.

All other sectors showed negative employment growth when compared to the previous quarter. Finance, real estate and business services shed the most jobs (-22 549), followed by electricity and water (-6 921) and construction (-3 137). Further declines were noticed within the manufacturing (-3 067), transport and communication (-2 861), and community, social and other personal services (-1 213) sectors.

On a year-on-year basis, five sectors added to employment growth when compared to the first quarter of 2019. Transport and communication (25 879), private households (9 935), and community and other personal services (7 410) sectors recorded the highest increases. The agriculture, forestry and fishery sectors also added positively to employment with an increase of 5 359 jobs.

Six sectors experienced job losses when compared, year-on-year, to the same period in 2019. Manufacturing recorded the largest reduction in employment, losing 20 839 jobs. Finance, real estate and business services recorded a combined reduction of 17 084 jobs. Further notable decreases were seen within the trade, hotels and restaurants (-4 734), construction (-4 665), as well as the electricity and water (-3 417) sectors.

FIGURE 11: QUARTERLY AND ANNUAL CHANGE IN EMPLOYMENT PER SECTOR FOR CAPE TOWN, 2020 Q1

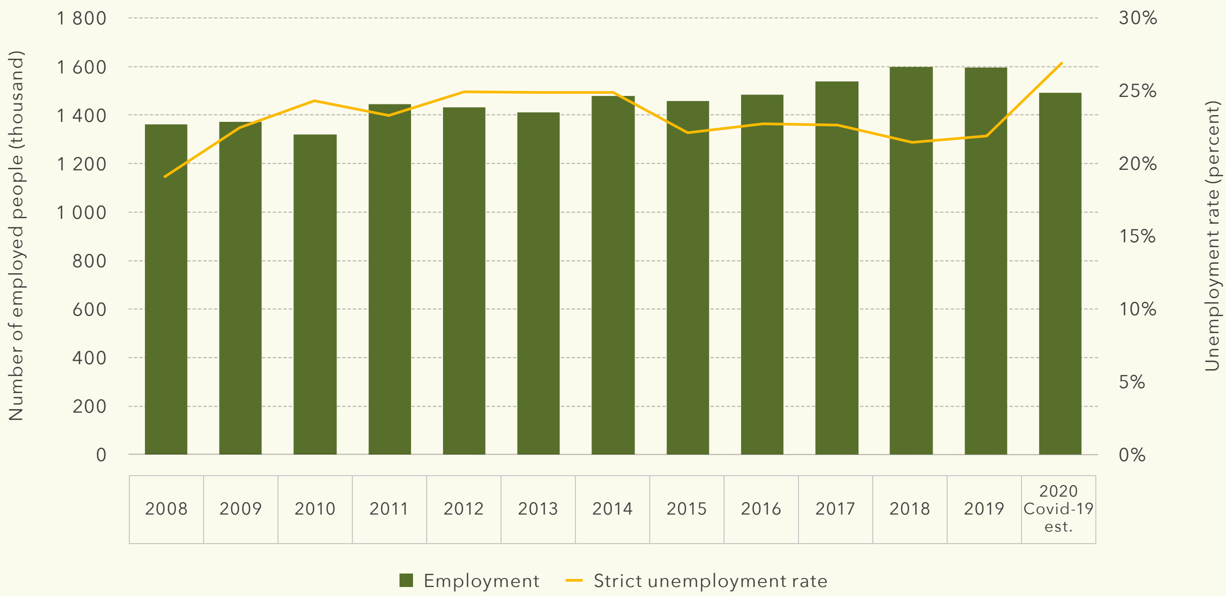
Source: Stats SA, Quarterly Labour Force Survey, 2020 Quarter 1, June 2020.

THE IMPACT OF COVID-19 ON CAPE TOWN'S LABOUR FORCE

The unprecedented restriction on economic activity, used worldwide as a strategy to fight the spread of the Covid-19 virus, is projected to have far reaching effects on employment levels in Cape Town. While employment is inherently more 'sticky' or resilient than output and incomes, the prolonged nature of restrictions on economic activity (particularly in labour intensive tertiary industries), together with significantly dampened levels of consumer demand and direct health impacts on the workforce, is expected to result in a significant number of business closures and forced retrenchments.

Utilising the same methodology as described in Chapter 1, the Economic Analysis team modelled the impact of Covid-19 and the associated restrictions on economic activity, jobs and work-seekers (potential jobs) for 2020.

FIGURE 12: EMPLOYMENT AND UNEMPLOYMENT RATE PROJECTIONS FOR CAPE TOWN IN 2020

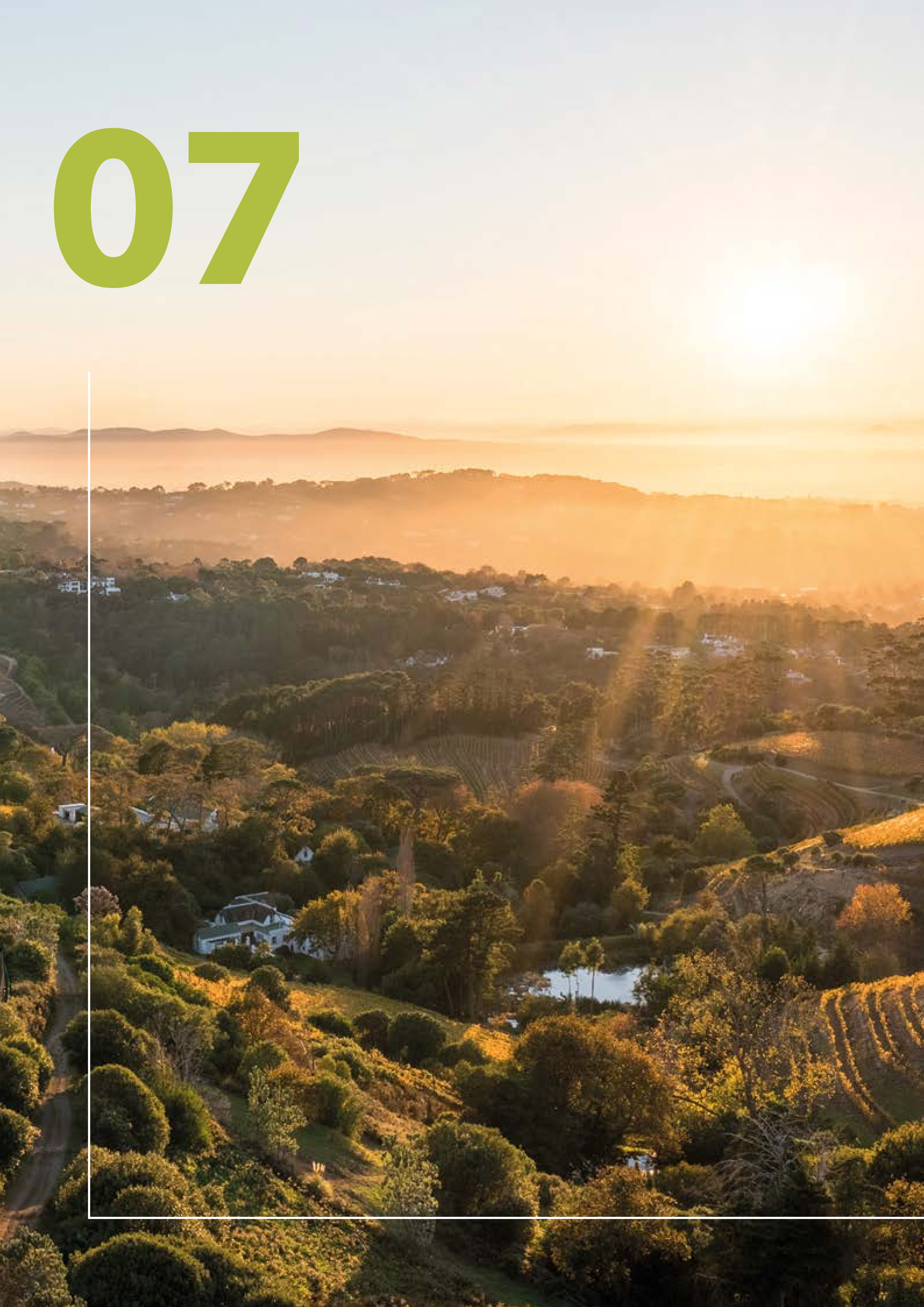


Source: Own calculations, Quarterly Labour Force Survey, Stats SA, 2020.

Figure 12 shows the actual historical trends in employment levels and the strict unemployment rate in Cape Town between 2008 and 2019, while providing forecasts of employment and the strict unemployment rate for 2020. The number of jobs that are estimated to be lost to the Cape Town economy in 2020 are around 103 000, based on current assumptions of the timing of the economy's reopening and the extent of its recovery over the remainder of the year. A further estimated 32 000 individuals, who ordinarily may have entered the labour market during 2020, are also assumed to be unable to find work as a result of the economic decline. This places the number of jobs at risk in the Cape Town economy, as a result of Covid-19, at about 135 000.

The decrease in employment levels in the city, combined with the decrease in successful work-seekers, is anticipated to increase Cape Town's strict rate of unemployment to 26,9%. This translates to an increase of 5,6 percentage points in Cape Town's unemployment rate from the figures recorded in 2019.

07



INFRASTRUCTURE AND TRADE

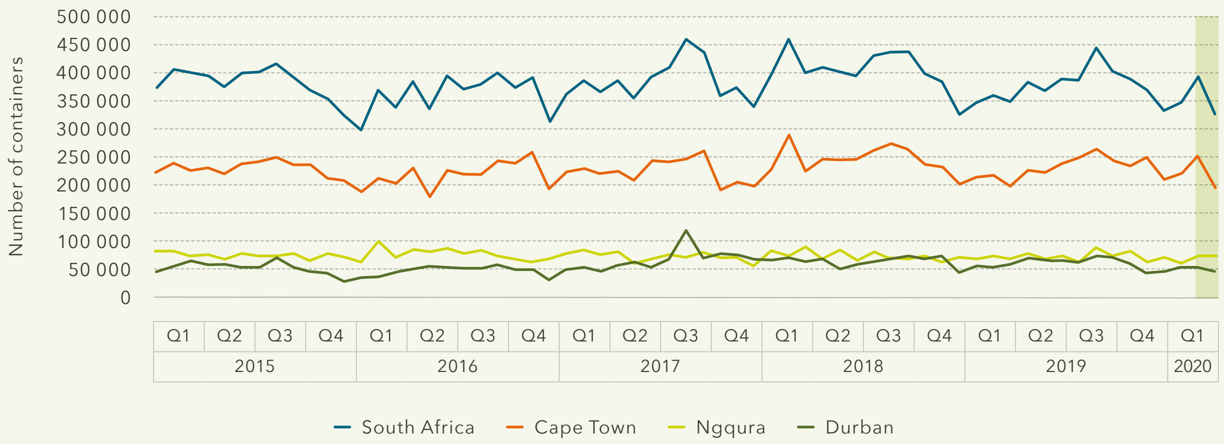
Cape Town is often cited as the gateway to South Africa and Africa. This status is sustained by the city's well-developed transportation infrastructure, including having South Africa's second-busiest airport, as well as (historically) its second-busiest container port. This section reviews infrastructure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

CONTAINER TRAFFIC

Container traffic typically demonstrates irregular trends, as shown by Figure 13. As such, it is best to compare total containers handled, as measured in 20-foot equivalent units (TEUs[9]), over the period of a year. In the first quarter of 2020, the Port of Durban[10] continued to be the largest container handling port in South Africa, with 669 897 TEUs (accounting for 62,7% of all containers handled in the country), followed by the Port of Cape Town (19,6%) and the Port of Ngqura[11] (14,8%).

The number of containers handled at the Port of Cape Town declined year-on-year, from 214 592 TEUs in the first quarter of 2019 to 209 748 TEUs in the first quarter of 2020, reflecting a negative growth rate of 2,3%. The Port of Durban experienced a year-on-year increase in container handling of 5,9%, while the Port of Ngqura reported a decrease of 7,5%. The positive performance of the Port of Durban helped to offset the declines reported by the ports of Cape Town and Ngqura, resulting in an overall year-on-year increase of 0,9% in total container handling in South Africa in the first quarter of 2020.

FIGURE 13: TOTAL CONTAINERS HANDLED (NATIONALLY), 2015 Q1 TO 2020 Q1



Source: Transnet National Ports Authority (TNPA), March 2020.

Note: March 2020 with one week of full lockdown shaded above.

In line with the regulations that came into effect due to the nationwide lockdown, and as part of the country's risk management plan, South Africa's main ports continued to operate over the period, albeit at a reduced level. Additional safety precautions, such as health screening before disembarking and social distancing, likely contributed towards processing delays at the ports. These disruptions to operations resulted in a substantial decrease in container handling at South Africa's ports under lockdown level 5 regulations. At the Port of Cape Town, containers with essential goods were prioritised, while general freight and mineral shipments were discouraged from berthing (Bezuidenhout, 2020). As a result, the total number of containers landing at the Port of Cape Town in April 2020 showed a year-on-year decrease of 35,0% (TNPA, 2020).

These reduced port services coupled with non-operational logistics companies had the impact of driving up storage costs, as containers could not be processed or continue along their supply chains. Despite some companies reducing various cost structures to mitigate these unexpected disruptions to supply chains (Bezuidenhout, 2020), the initial lockdown resulted in a backlog of over 20 000 containers in storage facilities, further exacerbating costs to firms, including small businesses (Whitehouse, 2020).

Containers shipped from the Port of Cape Town also experienced a year-on-year decline of 20,6% in April (TNPA, 2020) mostly attributed to the initial lockdown regulations that prohibited the exporting of non-essential items, as well as a decrease in demand due to the closure of destination ports in Asia and Europe (South African International Maritime Institute, 2020).

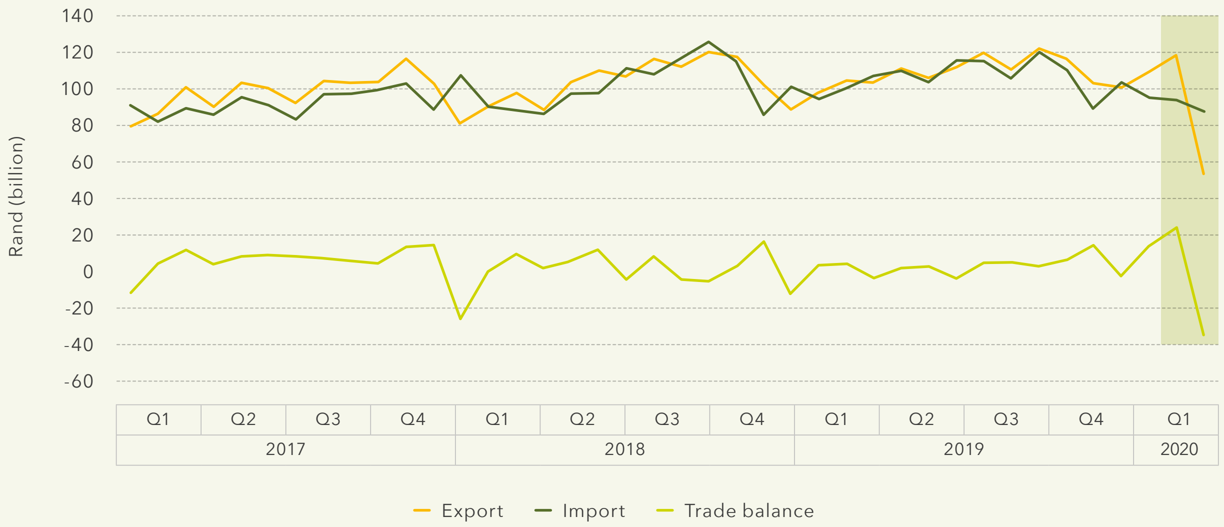
As the country's ports continue to open up under lockdown level 3, the Department of Transport has maintained the ban on passenger vessels and cruise liners, however, all cargo vessels are now permitted to use South African ports. Additionally, the movement of cargo from sea ports to their final destination is now permitted, further operational activities and services are allowed at Mossel Bay and Saldanha Bay ports, and South African-registered seafarers[12] are allowed to embark and disembark ships, on condition that mandatory health and safety precautions are strictly followed (Seleka, 2020).

SOUTH AFRICAN TRADE

The South African Revenue Service (SARS) records monthly data for South African exports. January and February 2020 saw year-on-year increases of 14% and 11% respectively. In March 2020, which included a full week of the national lockdown, exports still increased by 13% year-on-year, reaching R118 billion for the month. However, in the lockdown month of April, significant supply disruptions led to exports declining by 49% to R53 billion. The largest contributors to the decline were ores, particularly manganese and chromium (-39%), precious stones and metals (-39%), mineral fuels (-43%) and iron and steel (-78%), as well as vehicles (-88%).

Figure 14 shows the decline in South African trade in April, after the uptick in March. The uncertainty and disruption brought about by Covid-19 led to the most erratic monthly volatility in the South African trade balance. This is evidenced by the fact that the highest trade balance since 1988, when Quantec (2020) records began, was seen in March 2020 (R24,2 billion), while the lowest over the same period was seen the following month, in April 2020 (-R35 billion).

FIGURE 14: SOUTH AFRICAN INTERNATIONAL TRADE, JANUARY 2017 TO APRIL 2020



Source: Quantec, 2020.
Note: March and April 2020 have been shaded above to highlight lockdown impacts.

[9] *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.*

[10] *The Port of Durban is located in the eThekwini metro municipality.*

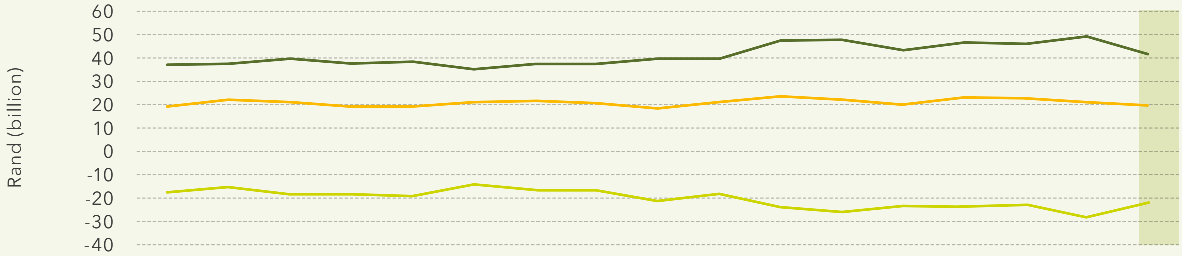
[11] *The Port of Ngqura is located in the Nelson Mandela Bay metro municipality.*

[12] *Seafarers are people who have been employed by a ship-owner to do ship service on board a ship at sea, such as work on operation and maintenance, as well as the provisioning of those on board.*

CAPE TOWN TRADE

Figure 15 illustrates the quarterly trade balance for Cape Town. From the first quarter of 2019 to the first quarter of 2020, exports declined by 2% to R19,8 billion, while imports declined by 4% to R41,7 billion. While this decline takes into account one week of level 5 lockdown in March, production disruptions had not yet filtered through to exports and the lagged effects for April are therefore estimated in Table 6 on the following page.

FIGURE 15: CAPE TOWN'S TRADE BALANCE, 2016 Q1 TO 2020 Q1



	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
	2016				2017				2018				2019				2020
Export	19,37	22,25	21,47	19,52	19,27	21,21	21,37	20,80	18,71	21,51	23,66	22,06	20,20	22,96	23,09	21,11	19,80
Import	36,90	37,66	39,79	37,90	38,58	35,39	37,47	37,46	39,70	39,85	47,49	47,89	43,55	46,74	46,12	49,29	41,67
Trade balance	-17,5	-15,4	-18,3	-18,3	-19,3	-14,1	-16,1	-16,6	-20,9	-18,3	-23,8	-25,8	-23,3	-23,7	-23,0	-28,1	-21,8

Source: Quantec, 2020.
Note: Quarter 1 2020 inclusive of March 2020 has been shaded above to highlight lockdown impacts.

To gain a sense of the latest trade trends, the South African trade figures were used as a proxy to calculate Cape Town's potential year-on-year decline in exports for April 2020 (using the top 20 exports at an HS 2 level[13] for Cape Town in 2019, which made up 83% of the city's total exports). Based on this analysis, Cape Town's exports were expected to have declined by 31% in April 2020. This decline was lower than the national decline of 49% due to the large proportion of agricultural products exported from Cape Town and the lower reliance on metal commodity exports. Cape Town's second-largest export category of edible fruit and nuts was one of two products (of the top 20) to experience a year-on-year increase (65%), the other was animal food and food residue (ranked 18th), which grew by 30%. The edible fruit and nut category grew considerably in April due to an increase in the export of citrus fruit (186%). According to the Lemon Focus Group of the Citrus Growers Association, this increase was due to an early lemon harvest (Henry, 2020), as well as increased demand from the international market due to harvesting challenges faced by northern hemisphere producers as a result of the pandemic (Sishuba, 2020).

[13] *The Harmonized Commodity Description and Coding System (HS) "is a multipurpose international product nomenclature developed by the World Customs Organization", and is the common global standard for describing the type of commodity when crossing most borders (Shipping and Freight Resource, 2020).*

TABLE 6: CAPE TOWN'S ESTIMATED EXPORT GROWTH FOR APRIL 2020, USING SOUTH AFRICAN PROXIES

CAPE TOWN'S TOP EXPORT CATEGORIES FOR 2019 (HS 2)	RAND, BILLION	CT SHARE OF SA TOTAL (%)	PROXY: SA YEAR-ON-YEAR % CHANGE	CONTRI-BUTION TO CTS TOTAL TOP 20	WEIGHTED YEAR-ON-YEAR % CHANGE
Mineral fuels, mineral oils and products of their distillation	R20,25	16%	-43,19	28%	-12,07
Edible fruit and nuts	R14,61	30%	64,78	20%	13,05
Nuclear reactors, boilers, machinery and mechanical appliances	R60,40	8%	-85,46	8%	-7,12
Fish, crustaceans and molluscs	R54,21	76%	-17,85	7%	-1,34
Beverages, spirits and vinegar	R28,44	15%	-65,32	4%	-2,56
Ships, boats and floating structures	R26,24	89%	-93,80	4%	-3,40
Ores, slag and ash	R25,24	1%	-38,94	3%	-1,36
Tobacco and its substitutes	R22,37	72%	-97,44	3%	-3,01
Pearls, precious stones and precious metals, including clad, imitation jewellery and coins	R19,63	1%	-39,22	3%	-1,06
Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers	R19,25	8%	-82,75	3%	-2,20
Total of top 20 products	**R72,48**			**100%**	**-31,22**

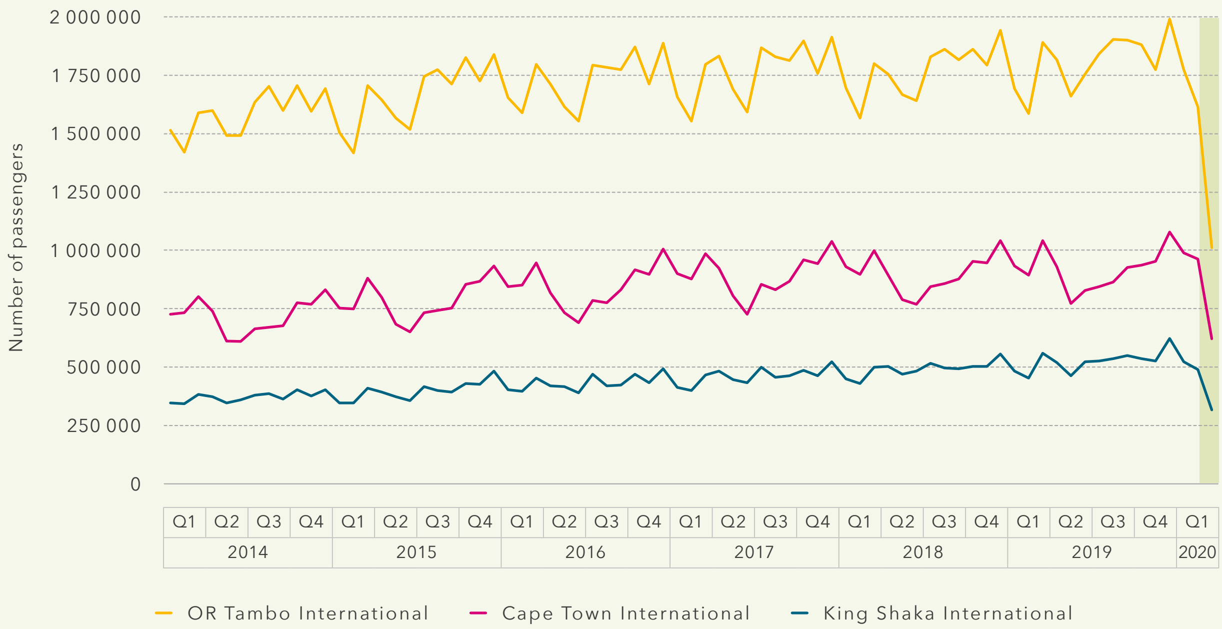
Source: Quantec, own calculations, June 2020.
Note: Only the top 10 exports at an HS 2 level are shown in the table above.
The estimates and the table totals are based on the top 20 export categories.

AIRPORT STATISTICS

Cape Town International Airport (CTIA) is South Africa's second-busiest airport, after OR Tambo International Airport in Johannesburg. It recorded 2,57 million total passenger movements (arrivals and departures) in the first quarter of 2020 compared to 4,40 million passenger movements at OR Tambo International and 1,33 million at King Shaka International airports during the same period.

Figure 16 indicates the decline in passenger movements in February 2020 as Covid-19 uncertainties emerged across the world. This was followed by further pronounced declines in March, which included the first week of the full national lockdown with the accompanying travel restrictions and border closures (Ramaphosa, C., 2020a). March passenger figures at CTIA were the lowest since June 2014, with April set to be far worse when released.

FIGURE 16: TOTAL (MONTHLY) PASSENGER MOVEMENTS AT SOUTH AFRICA'S MAJOR AIRPORTS, 2014 Q1 TO 2020 Q1



Source: Airports Company South Africa, June 2020.
Note: March 2020, with one week of full lockdown shaded above.

Total passenger movements at Cape Town International in the first quarter of 2020 showed a year-on-year decrease of 10,2%, representing 291 148 fewer passenger movements compared to the first quarter of 2019. Total passenger movements at OR Tambo International decreased year-on-year by 14,8% in the first quarter of 2020, while King Shaka International saw a year-on-year decrease of 10,9% (albeit off the smallest base number).

The lockdown restrictions in the last week of March halted all passenger air travel, apart from repatriations and medical emergencies. As a result, Cape Town International saw a record year-on-year decline of 39,6% in total passenger movements for the month. This includes a drop of 45,8% in international arrivals and a decline of 44,8% in domestic arrivals.

In April 2020, passenger arrivals are expected to be between 80% and 100% less than in April 2019 due to lockdown. Forward Keys, a travel intelligence service that analyses booking transactions, recorded a decline of 77% for May passenger bookings into CTIA (Wesgro, 2020a). Furthermore, forward bookings from May to October are set to decline by 41% lower than in the previous year, which translates to a loss of over 60 000 arrivals for the city, excluding the lockdown month of April.[14] Table 7 shows the breakdown of forward bookings by source markets for May to October, compared to the same period in 2019.

TABLE 7: FORWARD BOOKINGS FOR FLIGHTS INTO CAPE TOWN INTERNATIONAL AIRPORT, MAY TO OCTOBER 2019 VERSUS MAY TO OCTOBER 2020

COUNTRY	FORWARD BOOKINGS MAY-OCT 2019	FORWARD BOOKINGS MAY-OCT 2020	% CHANGE
Germany	22 680	16 815	-26%
United Kingdom	21 243	16 554	-22%
USA	26 183	14 754	-44%
Netherlands	11 450	8 293	-28%
Italy	9 093	4 604	-49%
France	12 613	4 602	-64%
Australia	7 764	3 883	-50%
Belgium	3 775	3 326	-14%
Brazil	3 845	2 719	-29%
Switzerland	3 993	2 634	-34%
Canada	3 774	2 278	-40%
Spain	3 948	2 079	-47%
Ireland	1 730	1 371	-21%
Austria	1 363	1 245	-9%
India	6 538	1 240	-81%
Others	25 234	11 104	-56%
Total	**165 226**	**97 411**	**-41%**

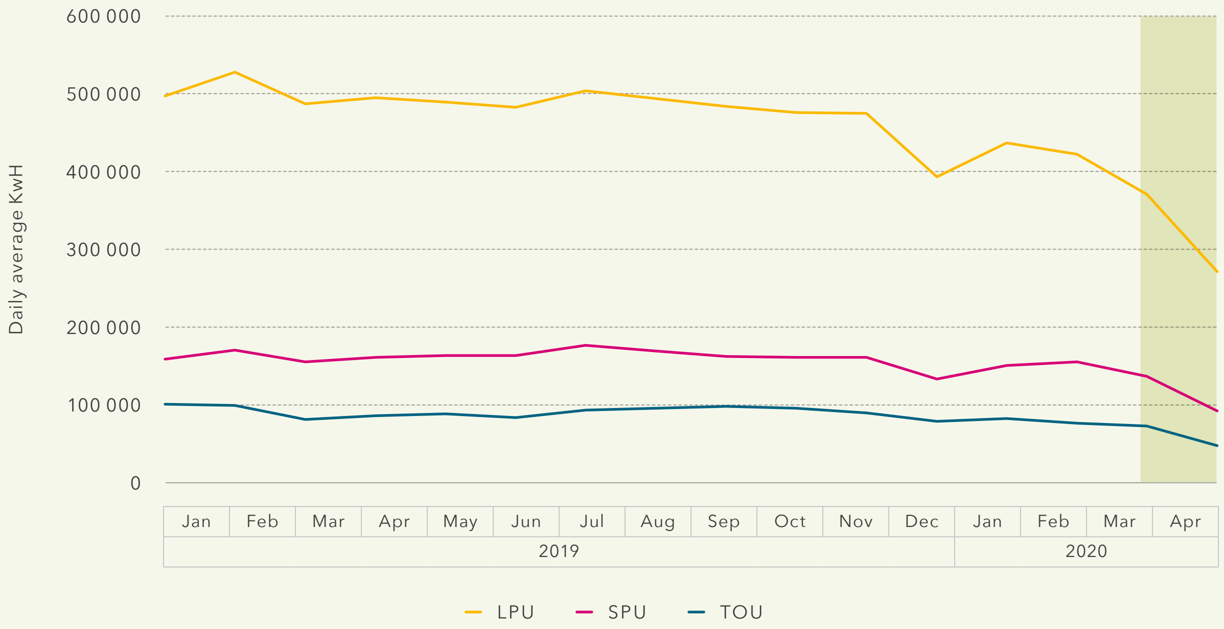
Source: Wesgro, Forward Keys, captured 15 April 2020.

[14] *This data was captured on 15 April 2020, with the assumption that many of the forward bookings from May to October would continue unabated. The 41% decline in bookings reflected April data but this may increase to near 100% decline if borders don't open.*

COMMERCIAL ELECTRICITY USAGE

Electricity is an important driver of economic activity as it is a key input in most production processes, especially 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), small power users (SPUs), and time of use (TOU) customers is therefore a good indicator of production levels in the manufacturing sector. The analysis of commercial electricity usage in this section is based on data collected by the City from a representative sample of 1 039 LPUs, 2 926 SPUs, and 70 TOU customers. Figure 17 shows commercial electricity usage from January 2019 to April 2020.

FIGURE 17: CAPE TOWN'S COMMERCIAL ELECTRICITY USAGE, JANUARY 2019 TO APRIL 2020



Source: Electricity Generation & Distribution, CCT, March 2020.
Note: March and April 2020 have been shaded above to highlight lockdown impacts.

Although electricity consumption by LPUs was already on a downward trend in the first two months of 2020, possibly impacted by load-shedding during those months, the commencement of the nationwide lockdown in response to Covid-19 led to a further decrease in March and a sharp decline in April 2020. In March and April 2020, daily average electricity consumption by LPUs was 23,5% and 44,6% lower, respectively, than in the corresponding months in 2019. This comparison takes into account seasonal variations.

Electricity consumption by SPUs and TOU customers was relatively flat in January and February 2020, as it had been for most of 2019. The lockdown resulted in a slight decrease in March 2020, followed by a steeper decline in April 2020. Compared to the corresponding period in 2019, electricity consumption by SPUs and TOU customers was 11,1% and 9,8% lower in March 2020, respectively. In April 2020, these declines were much steeper, with a 40,9% drop recorded for SPUs and 41,3% for TOUs. The significant decrease in the levels of commercial electricity usage in March and April 2020 can largely be attributed to the restrictions on economic activity and likely point to substantial declines in manufacturing output.

08

TOURISM

In a global climate of relatively subdued economic performance, tourism continues to outshine traditional economic sectors. As an international renowned tourist destination boasting iconic and world-class tourist attractions, including one of the New7Wonders of Nature, Cape Town is well placed to take advantage of the global growth of the tourism industry.

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. The occupancy and revenue figures presented in Table 8 are derived from a monthly survey[15] of an average of 109 tourism accommodation establishments in the Cape Town metropolitan area (Cape Town Tourism, 2020). While this is usually reported for the entire quarter (i.e. three consecutive months), the nationwide lockdown impacted greatly on the tourism sector, with a knock-on effect of data collection constraints and, as such, the table only includes data for January and February 2020. As can be seen, occupancy rates at city accommodation establishments began to increase in the first quarter of 2020, with January and February recording year-on-year increases of 0,7 and 1,0 percentage points respectively.

Prior to the pandemic and national lockdown there were several months of negative year-on-year declines in occupancy rates, which reflected the continued challenges faced by the industry since the region's last drought. The average room rate for January 2020 increased by R122.00 year-on-year, and by R64.00 year-on-year for February. The revenue per room increased by R102.00 and R54.00 year-on-year, respectively. Despite the overall positive performance at the start of the first quarter of 2020, global travel restrictions prior to South Africa's lockdown are likely to have contributed to dampening the local industry's performance in March 2020, before it reached a virtual standstill in April.

TABLE 8: INCOME DERIVED FROM TOURIST ACCOMMODATION,[16] JANUARY AND FEBRUARY 2019 VERSUS JANUARY AND FEBRUARY 2020

INDICATOR	JANUARY		FEBRUARY		MARCH	
	2020	2019	2020	2019	2020	2019
Occupancy rate	71,8%	71,1%	80,5%	80,4%	No survey completed for March 2020	
Average room rate	R 2 184	R 2 062	R 2 126	R 2 062		
Average revenue per room	R 1 567	R 1 465	R 1 711	R 1 657		

Source: Derived from Cape Town Tourism data, selected accommodation establishments, June 2020.

[15] *Important to note is that the monthly survey varies every month in both sample size and the specific respondents.*

[16] *Due to the fact that the sample changes with each monthly survey conducted (see previous footnote 9, EPIC 2019 Q3), the data applicable to the previous comparable quarter (e.g. average occupancy rate of 71,2% for the fourth quarter of 2018) will differ from that published in the appropriate past quarterly EPIC (i.e. EPIC 2018: Q4 reports an occupancy rate of 72,1% for the fourth quarter of 2018).*

ESTIMATES OF LOCKDOWN-RELATED LOSSES IN APRIL FOR CAPE TOWN ACCOMMODATION ESTABLISHMENTS

Given that tourism is one of the main contributors to Cape Town's economic growth, the prevention of tourism by the lockdown level 5 restrictions is expected to have a significant impact. These restrictions included the prohibition of activities related to sightseeing and tours, domestic and international travel (including closed borders), as well as the closure of restaurants and accommodation facilities. To provide a comprehensive estimate of the economic impact of these restrictions on the tourism sector in April 2020, the City's Economic Analysis branch undertook an analysis of projected hotel revenue losses during this period. This analysis sought to achieve a plausible estimate of how much revenue would otherwise have been made by hotel establishments during the month of April 2020.

While it would have been preferable to calculate revenue losses across the accommodation sector, the lack of a complete accommodation establishments database, including non-hotel establishments such as bed and breakfast accommodation, meant that this analysis had to be limited solely to hotel accommodation within the Cape Town municipal boundary. This is, however, accepted to be broadly representative of the greater accommodation sector in the city.

The following was considered as part of the methodology:

- Estimates of the total revenue of hotel establishments in Cape Town for April 2019 were calculated by multiplying the total number of hotel rooms in the city with the average revenue per available room (RevPAR[17]) over the total number of days in April.
- A percentage revenue loss figure of 100% was used for April 2020 since lockdown level 5 was only lifted in May 2020. Average room rates were also held constant, meaning that total revenue loss for Cape Town hotels in April 2020 can be assumed to be at least 100% of the revenue obtained in April 2019.

By applying the above methodology to existing information on 143 hotels in Cape Town, the observations in Table 9 were made.

TABLE 9: CALCULATING TOURISM HOTEL REVENUE LOSS FOR CAPE TOWN, APRIL 2020

NUMBER OF ROOMS	11 114
REVENUE PER AVAILABLE ROOM (RAND)	R1 008
REVENUE LOSS PER DAY (RAND)	R11 202 912
REVENUE LOSS FOR APRIL 2020 (30 DAYS)	R336 087 360

Source: Own calculations; revenue per available room sourced for April 2019 from Cape Town Tourism, 2020.
Note: The revenue loss of R336 million is likely an underestimate as it only utilises the City's hotel accommodation database.

A total of 11 114 rooms are available in the 143 hotels in Cape Town.[18] According to Cape Town Tourism (2020) the RevPAR was R1 008 for the month of April 2019. Based on the above methodology and assumptions, the total hotel revenue loss per day in April 2020 equates to R11 202 912.

The total hotel revenue loss for the month of April 2020 is thus assumed to be R336 087 360. Utilising Gross Value Added multipliers for Cape Town's economy, this equates to a loss of R280 million in GVA.

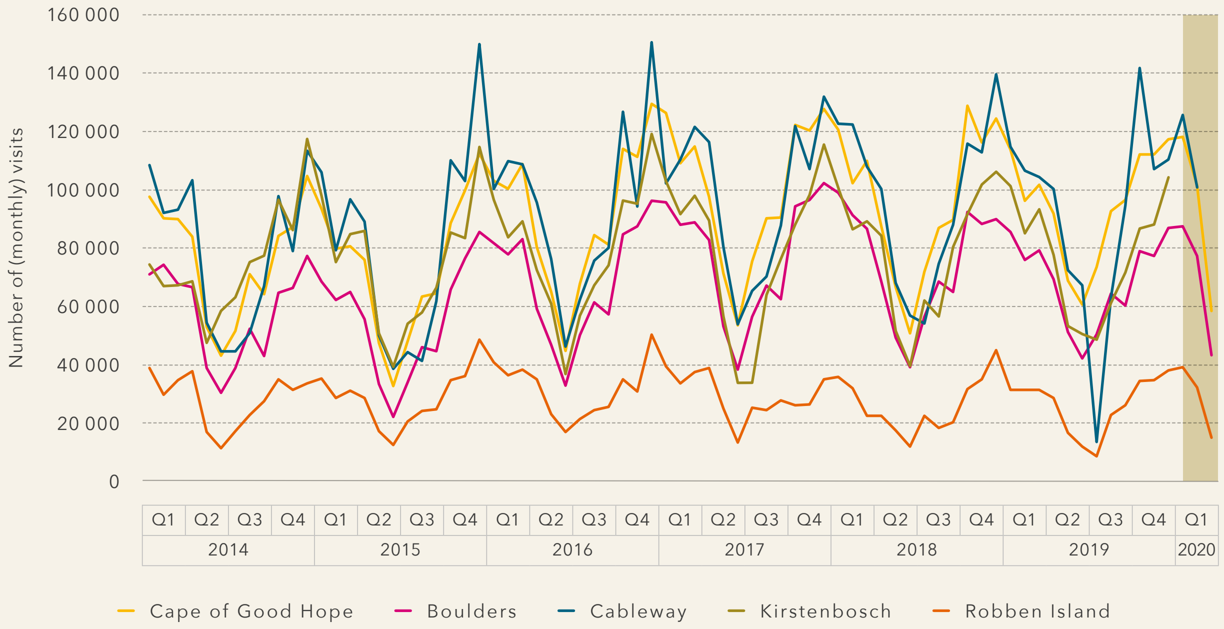
[17] *Revenue per available room (RevPAR) is a performance metric commonly used to measure financial performance in the hospitality industry (Investing Answers, 2019; STR, 2019).*
[18] *According to the City's hotel accommodation database. This is likely an underestimate of hotel rooms.*

PERFORMANCE OF CAPE TOWN'S TOURIST ATTRACTIONS

With respect to Cape Town's tourist attractions, Figure 18 illustrates the highly seasonal nature thereof, with peak visitor activity typically occurring in the summer period from November to March every year, and the lowest tourist visitor numbers generally recorded between May and July, which are Cape Town's winter months. However, since many countries across the world began feeling the impact of the pandemic as early as January 2020 (WHO, 2020), lower visitor numbers to Cape Town began to filter through early in the year, impacting negatively on its major tourist attractions.

The available data[19] for the first quarter of 2020 reflect that four of Cape Town's five major tourist attractions[20] experienced decreases on a quarter-on-quarter basis and a year-on-year basis. No data was available for the fifth attraction. On a year-on-year basis, Table Mountain Aerial Cableway recorded the largest decrease in number of visits (by -99 133), with 30,5% fewer visitors to the attraction than over the first quarter of 2019. This was also the largest year-on-year decline in visitor numbers recorded for the attraction since 2015.

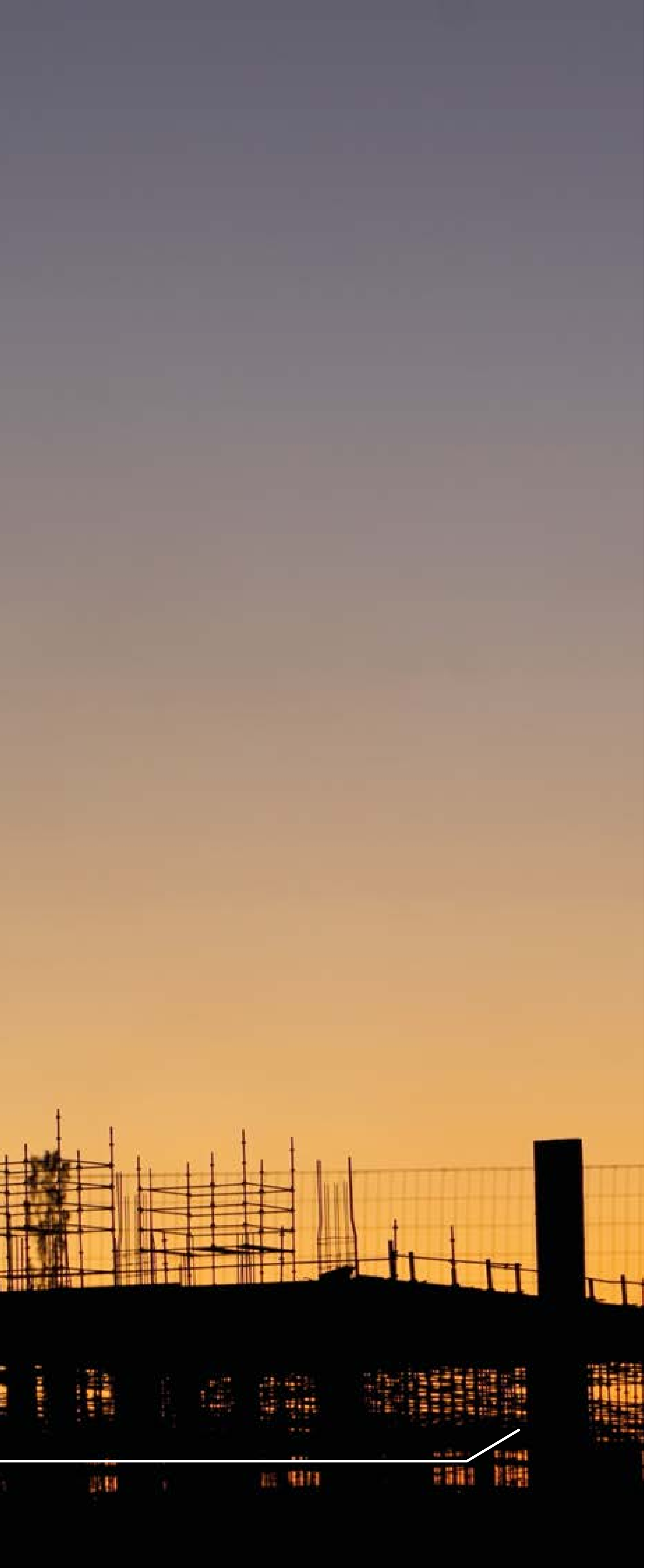
FIGURE 18: TOTAL (MONTHLY) VISITS TO THE TOP FIVE TOURIST DESTINATIONS OF CAPE TOWN, 2014 Q1 TO 2020 Q1



Source: Derived from Wesgro and Cape Town Tourism data, June 2020.
Note: March 2020 with one week of full lockdown shaded above.

[19] *At the time of compilation, no data was available for Kirstenbosch National Botanical Gardens, January to March 2020, as well as no data for Table Mountain Aerial Cableway for March 2020.*
[20] *Includes Cape of Good Hope, Boulders Beach, Table Mountain Aerial Cableway, Kirstenbosch National Botanical Gardens and Robben Island. Excludes the V&A Waterfront.*


09



ADDITIONAL INDICATORS

In addition to macro-economic 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.

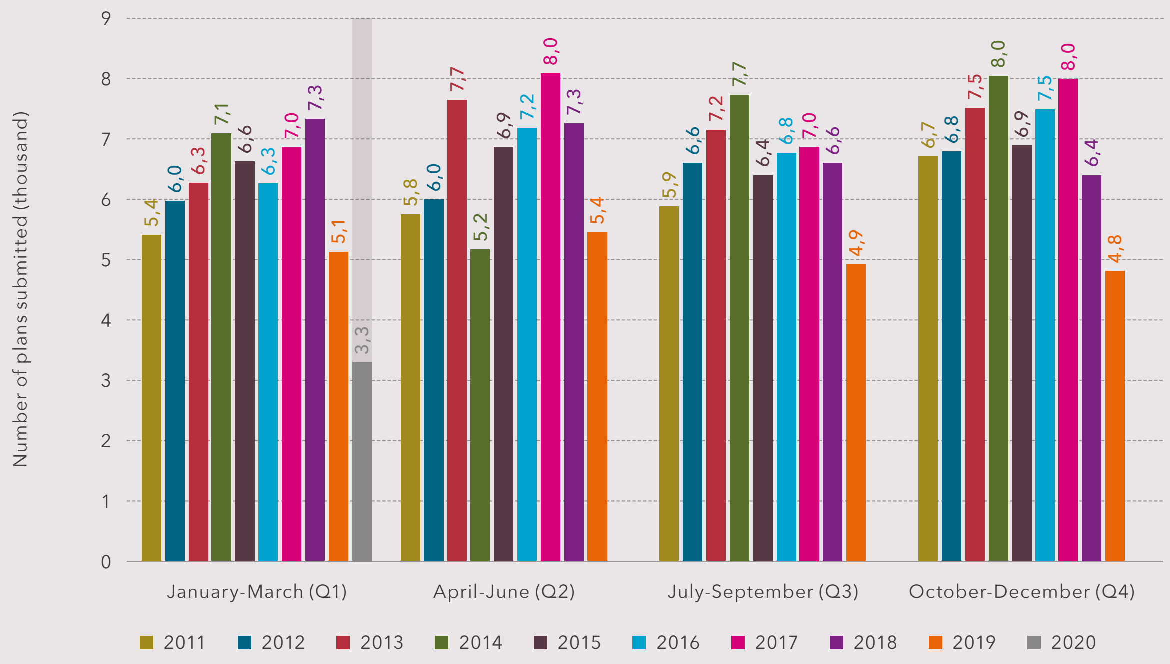
BUILDING DEVELOPMENTS

The economic growth data for the first quarter of 2020 shows that national output in the construction industry declined by 4,7% quarter-on-quarter. This was the sector's seventh consecutive quarter of negative growth. On a year-on-year basis, the sector recorded its 12th consecutive contraction (down 5,0%). The Western Cape's construction industry mirrored these national trends, contracting by 4,9% quarter-on-quarter and 5,1% year-on-year in the first quarter of 2020 (Quantec, 2020).

The First National Bank (FNB)/BER Building Confidence Index,[21] after increasing in the previous quarter, decreased by a further 12 points to 13 index points in the first quarter of 2020, its lowest level since 1998 (BER, 2020c). All six sectors surveyed by BER reported deteriorating confidence levels, signalling the likelihood of further contraction in the building sector.

A total of 3 305 building plans were submitted to the City for approval in the first quarter of 2020, which is a decrease of 31,3% from the previous quarter. Figure 19 provides an annual comparison of the number of building plans submitted in each of the quarters over the past 10 years, thereby allowing for seasonal volatility when analysing the long-term trends in the building and construction industry. Year-on-year building plan submissions decreased by 35,6% in the first quarter of 2020, which represents a continuation of the declining annual trend. This reflects the current lack of confidence in the industry and mirrors the findings of the FNB/BER Civil Confidence Index which, despite another slight improvement in index points (up two points to 24), still reflects that the majority of respondents are dissatisfied with industry conditions (BER, 2020d).

FIGURE 19: BUILDING PLANS SUBMITTED TO THE CITY OF CAPE TOWN, 2011 Q1 TO 2020 Q1



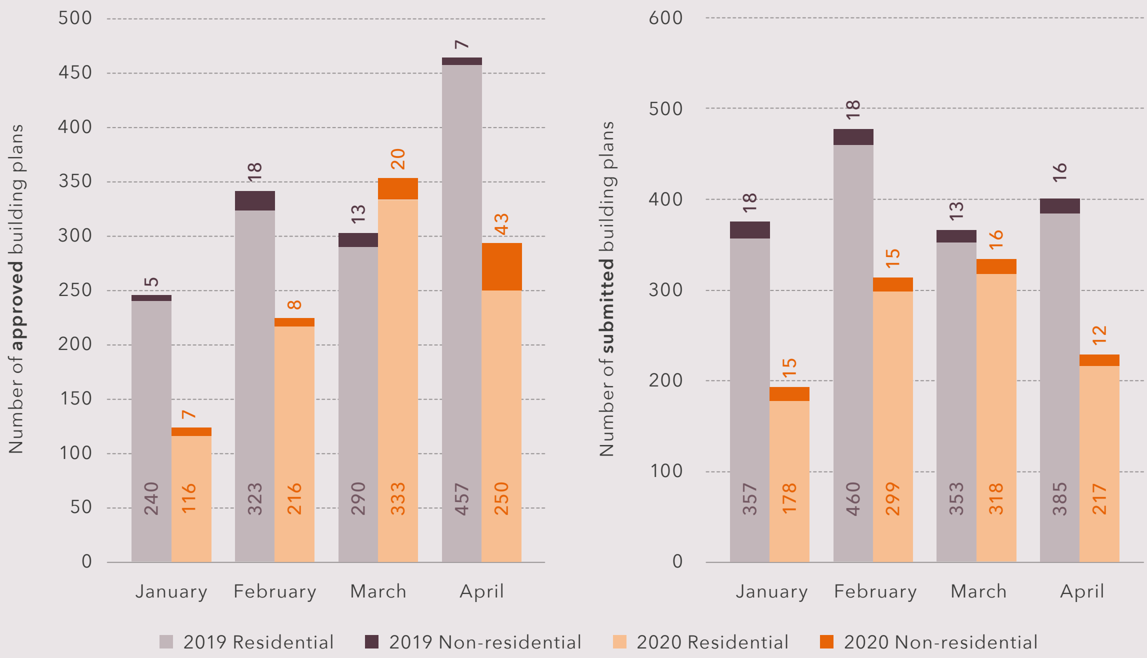
Source: Planning & Building Development Management Department, CCT, March 2020.
Note: March 2020 with one week of full lockdown shaded above.

[21] *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.*

COVID-19 IMPACT ON FUTURE CONSTRUCTION PROJECTS

The continued impact of the lockdown is clear in the City's building applications data for April 2020. In that month, approved building applications decreased by 37%, year-on-year, while a 43% drop in application submissions was seen (from 401 in 2019 to 229 in 2020). This is in line with the dip in the FNB/BER Building Confidence Index from 13 points in quarter 1 of 2020 to four points in quarter 2, and points to a very weak pipeline of new projects for the remainder of 2020.

FIGURE 20: BUILDING PLANS APPROVED AND SUBMITTED TO THE CITY OF CAPE TOWN, JANUARY TO APRIL 2019 AND 2020



Source: Planning & Building Development Management Department, CCT, May 2020.

NEW VEHICLE SALES

Following fluctuating quarter-on-quarter performance throughout 2019, and signs of recovery in the latter half of the year, total vehicle sales in the Western Cape decreased from 14 272 in the fourth quarter of 2019 to 11 977 in the first quarter of 2020. On a year-on-year basis, vehicle sales experienced a decrease of 15,4% (2 182 units) from 14 159 vehicles sold in the same period in 2019. Passenger vehicle sales in the Western Cape, which reflect the private consumer segment of the market, decreased from 9 690 in the fourth quarter of 2019 to 8 310 in the first quarter of 2020. The year-on-year results also showed a decrease of 8,9% (812 units), from the 9 122 vehicles sold in the first quarter of 2019. At a national level, a year-on-year decrease of 7,6% (6 488 units) was observed, where the number of passenger vehicles sold decreased from 85 690 units in the first quarter of 2019 to 79 202 units in the first quarter of 2020.

In the first quarter of 2020, South Africa's automotive industry was heading towards stabilisation, as indicated by the positive performance in February. However, as of March, this trend was disrupted by the Covid-19 pandemic. With the lockdown in full effect in April 2020, activity in the local automotive industry came to a near standstill as only essential services remained operational at dealer workshops (Raymond, 2020). As a result, only 90 passenger vehicles were sold in South Africa in April, with just 14 of these sold in the Western Cape during this period. This resulted in year-on-year decreases of 99,6% nationally, and 99,5% for the province.

Consumer and business confidence remains low, and sentiment amongst wholesalers and new vehicle dealers continues to be depressed by various factors, including persistent weak demand, a constrained macro-economic outlook, instability in the energy supply sector, increased input costs due to the rand depreciation and the impact of the Covid-19 pandemic (Reddy, 2020).

New vehicle sales are strongly linked to the strength of the economy. The National Association of Automobile Manufacturers of South Africa (NAAMSA) therefore expects weak performance from the industry over the medium term, due to the current unfamiliar market conditions, driven by unpredictability and persistent slow economic growth (Woosey, 2020). Despite the easing of restrictions, some vehicle dealers have not experienced any upward demand, supporting NAAMSA's expectation that vehicle sales may only rebound in October. As such, NAAMSA is creating a recovery programme focussing on manufacturing, retail, import and export in order to drive positive change and growth in the automotive industry (van der Putte, 2020).

REFERENCE LIST

Airports Company South Africa (ACSA), 2020, Passenger movements.

Bezuidenhout, J., 2020, Covid-19 lockdown: A moving target for importers, Daily Maverick, 25 March 2020, Available: https://www.dailymaverick.co.za/article/2020-03-25-covid-19-lockdown-a-moving-target-for-importers/#gsc.tab=0, [2020, June 10].

Bureau for Economic Research (BER), 2020a, Q1 contraction highlights pre-COVID weakness, 30 June 2020.

Bureau for Economic Research (BER), 2020b, Forecast Update, July 2020.

Bureau for Economic Research (BER), 2020c, BER/FNB Business Confidence Index, 10 June 2020.

Bureau for Economic Research (BER), 2020d, FNB/BER Building Survey, First quarter 2020.

Bureau for Economic Research (BER), 2020e, Construction survey, First quarter 2020.

BusinessTech, 2020, How businesses ripped off South Africans during the lockdown, BusinessTech, 20 May 2020, Available: https://businesstech.co.za/news/business/399763/how-businesses-ripped-off-south-africans-during-the-lockdown/, [2020, June 2].

Cape Town Tourism, 2019a, Accommodation Performance Review and Forecast Report, January to February 2020.

Cape Town Tourism, 2019b, Highlights and Monthly Dashboards, January to February 2020.

City of Cape Town (City), 2020, Building developments, January 2011 to March 2020, Spatial Planning and Environment: Planning and Building Development Management Department.

City of Cape Town (City), 2020a, Commercial electricity consumption, January 2019 to April 2020, Energy and Climate Change: Electricity Generation and Distribution.

DataFirst, 2020, Essential Workers, Working from Home and Job Loss Vulnerability in South Africa, Available: https://www.datafirst.uct.ac.za/images/docs/DataFirst-TP20_41.pdf, [2020, June 30].

Disaster Management Act, No. 57 of 2002, Regulation Gazette No. 11062, 2020, Government Gazette (43148), 25 March 2020, Government Printing Works.

Henry, B., 2020, Southern African Citrus Exports: Season Update, Produce Report, 29 April 2020, Available: https://www.producereport.com/article/southern-african-citrus-exports-season-update, [2020, June 10].

IHS Markit, 2020, Regional eXplorer.

IMF, 2020, World Economic Outlook, Available: https://www.imf.org/en/publications/weo, [2020, July 26].

Investing Answers, 2019, Revenue per Available Room (RevPAR), Investing Answers, 1 October 2019, Available: https://investinganswers.com/dictionary/r/revenue-available-room-revpar, [2020, June 25].

Jackson, T., 2020, More than 55,000 South African SMMEs will close during COVID-19 pandemic, 17 April 2020, Available: https://disrupt-africa.com/2020/04/more-than-55000-south-african-smmes-will-close-during-covid-19-pandemic/, [2020, June 10].

Macrotrends, 2020, Brent Crude Oil Prices – 10 Year Daily Chart, Available: https://www.macrotrends.net/2480/brent-crude-oil-prices-10-year-daily-chart, [2020, February 27].

Manaadiar, H., 2009, What is a HS Code?, Shipping and Freight Resource, 16 September 2009, Available: https://www.shippingandfreightresource.com/what-is-a-hs-code/#, [2020, June 19].

Naidoo, S., 2020, Covid-19: B4SA foresees up to 4 million job losses, 6 May 2020, Available: https://www.moneyweb.co.za/news/economy/covid-19-b4sa-foresees-up-to-4-million-job-losses/, [2020, June 10].

National Association of Automobile Manufacturers of South Africa (NAAMSA), 2020a, New vehicle sales, January 2008 to April 2020.

Quantec, 2020, EasyData.

Ramaphosa, C., 2020a, Statement by President Cyril Ramaphosa on measures to combat COVID-19 epidemic, COVID-19 Online Resource & News Portal, 15 March 2020, Available: https://sacoronavirus.co.za/2020/03/15/statement-by-president-cyril-ramaphosa-on-measures-to-combat-covid-19-epidemic/, [2020, June 20].

Raymond, C., 2020, SA car sales, Here's how many vehicles were sold in March 2020, Wheels24, 2 April 2020, Available: https://www.wheels24.co.za/News/SA_vehicle_sales/sa-car-sales-heres-how-many-vehicles-were-sold-in-march-2020-20200402, [2020, June 2].

Reddy, K., 2020, TransUnion Vehicle Pricing Index Q1 2020, TransUnion, Available: https://www.transunion.co.za/resources/transunion-za/doc/campaign/VPI/INT-AF-20-564624-VPI-Q4-2019/TU-VPI-Report-Q4-2019.pdf, [2020, June 2].

Seleka, N., 2020, Level 3 lockdown: Ban on cruise liners continues except for Mossel Bay and Saldanha Bay ports, News24, 30 May 2020, Available: https://www.news24.com/news24/southafrica/news/level-3-lockdown-ban-on-cruise-liners-continues-except-for-mossel-bay-and-saldanha-bay-ports-20200530, [2020, June 10].

Sishuba, S., 2020, Strong demand for SA citrus at start of 2020 export season, Farmer's Weekly, 22 April 2020, Available: https://www.farmersweekly.co.za/agri-news/south-africa/strong-demand-for-sa-citrus-at-start-of-2020-export-season/, [2020, June 18].

South African International Maritime Institute (SAIMI), 2020, The Impact of COVID-19 on South Africa's Maritime Economy, The Maritime Executive, 18 May 2020, Available: https://www.maritime-executive.com/article/the-impact-of-covid-19-on-south-africa-s-maritime-economy, [2020, June 10].

South African Reserve Bank (SARB), 2020a, Statement of the Monetary Policy Committee, 14 April 2020.

South African Reserve Bank (SARB), 2020b, Statement of the Monetary Policy Committee, 16 January 2020.

South African Reserve Bank (SARB), 2020c, Statement of the Monetary Policy Committee, 19 March 2020.

Statistics South Africa, 2020, various publications.

STR, 2019, What is RevPAR?, STR, 29 August 2019, Available: https://str.com/data-insights-blog/what-is-revpar, [2020, June 25].

The Citizen, 2020, Competition Commission gets 559 complaints of price hiking, as some agree to refunds, The Citizen, 3 March 2020, Available: https://citizen.co.za/business/business-news/2263230/competition-commission-gets-559-complaints-of-price-hiking-as-some-agree-to-refunds/, [2020, June 26].

Transnet National Ports Authority of South Africa, 2020, Transnet Port Terminals: Ports Statistics.

van de Putte, W., 2020, South African car sales won't bounce back until at least October: Naamsa, Independent Online, 21 May 2020, Available: https://www.iol.co.za/motoring/industry-news/south-african-car-sales-wont-bounce-back-until-at-least-october-naamsa-48323236, [2020, June 12].

Vuba, S., 2019, The missed opportunity: SMMEs in the South African economy, 12 April 2019, Available: https://mg.co.za/article/2019-04-12-00-the-missed-opportunity-smmes-in-the-south-african-economy/, [2020, June 11].

Wesgro, 2020a, Forward Keys data, March to October 2020.

Wesgro, 2020b, Cape Town attractions: January to March 2020.

Western Cape Government (WCG), 2020, The Western Cape Business Survey, Department of Economic Development and Tourism.

Western Cape Government, 2020, The Western Cape Business Survey Report – the impact of COVID-19 on businesses, 23 April 2020, Department of Economic Development and Tourism.

Whitehouse, B., Massive Bills Face Importers as Containers Pile Up in Storage, 9 June 2020, Available: http://www.sashippingnews.com/2020/06/09/massive-bills-face-importers-as-containers-pile-up-in-storage/, [2020, June 10].

Woosey, J., 2020, SA vehicle sales plunged by 68 percent versus May last year, Independent Online, 2 June 2020, Available: https://www.wheels24.co.za/News/SA_vehicle_sales/sa-car-sales-heres-how-many-vehicles-were-sold-in-march-2020-20200402, [2020, June 2].

World Bank, 2020, Pandemic, Recession: The Global Economy in Crisis, Available: https://www.worldbank.org/en/publication/global-economic-prospects, [2020, June 29]

World Health Organization (WHO), 2020, WHO Timeline – COVID-19, World Health Organization, 27 April 2020, Available: https://www.who.int/news-room/detail/27-04-2020-who-timeline---covid-19, [2020, June 23].

ABBREVIATIONS

BER:	Bureau for Economic Research
BPO:	Business Process Outsourcing
CCT/City:	City of Cape Town
CPI:	Consumer Price Index
CT:	Cape Town
CTIA:	Cape Town International Airport
DEDAT:	Department of Economic Development and Tourism
EP-CPI:	Essential Products Consumer Price Index
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
IMF:	International Monetary Fund
LPU:	large power users
MPC:	Monetary Policy Committee
NAAMSA:	National Association of Automobile Manufacturers of South Africa
PMI:	Purchasing Manager's Index
PPI:	Producer Price Index
PwC:	PricewaterhouseCoopers
QLFS:	Quarterly Labour Force Survey
RevPAR:	revenue per available room
SA:	South Africa
SARB:	South African Reserve Bank
SMME:	small, medium and micro enterprises
SPU:	small power users
TEU:	twenty-foot equivalent unit
TNPA:	Transnet National Ports Authority
TOU:	time of use
USD:	United States dollar
WC:	Western Cape
WCG:	Western Cape Government

WWW.INVESTCAPETOWN.COM

@investcapetown

Invest Cape Town

CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

Making progress possible. Together.