



CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD



INVEST CAPE TOWN

Economic Performance Indicators for Cape Town

A wide-angle aerial photograph of Cape Town, South Africa, taken during the golden hour of sunset. The sun is low on the horizon, casting a warm, golden glow over the city and the surrounding mountains. The city's buildings and infrastructure are visible, with a mix of modern skyscrapers and older structures. The sky is a mix of blue and orange, with some light clouds.

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ACKNOWLEDGEMENTS

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FOREWORD

Given the unprecedented times in which our country currently finds itself, the fourth quarter of 2019 feels like a lifetime ago for most South Africans. But while the economic blow our country has suffered in the first part of 2020 is unlike anything before, it remains a worthwhile exercise to look back at the challenges and severe economic constraints that South Africa already faced at the end of 2019, fuelled by a variety of fiscal and political factors, as well as the rolling electricity blackouts that were commonplace in the final months of last year. It is safe to say that these conditions will be exacerbated by the Covid-19 pandemic, but understanding them, and the impact they exerted on our regional economy pre-Covid-19 is an important part of restoring that economy once the current crisis is behind us.

Despite the impact of these constraints, there were some encouraging signs and positive results evident in the fourth quarter of 2019. Our world-class airport showed a year-on-year increase in total passenger movements, rising to 2,96 million passengers over the period. Four of the five top tourist attractions in our world-renowned city also showed year-on-year increases in visitor numbers, including Table Mountain Aerial Cableway. Of course, these indicators will tell a very different story in the next issue of this EPIC report, but it is heartening to know that there were aspects of our local and provincial economies that were positive prior to the coronavirus pandemic.

A number of the indicators in this edition also point to the fact that the initiatives undertaken by the Department of Enterprise and Investment, together with our Strategic Business Partners (SBPs), have yielded positive results. Targeted approaches, based on solid data, give us a good chance of sustainably improving economic performance and, thereby, enhancing the livelihoods of the residents of Cape Town.

In the coming months, the full impact of the global Covid-19 pandemic will become evident. My job as the Mayoral Committee Member for Economic Opportunities is to work closely with our business partners, provincial and national government and use all the levers at our disposal to help businesses get through this crisis.

In order to co-ordinate and streamline the City's economic response, I have already established three task teams, one on the economy, one on tourism and the other on real estate services. The teams consist of municipal officials from various departments including Enterprise and Investment, as well as representatives from our SBPs. A vital mission of these units is to collect detailed economic impact assessment data and develop sector-specific responses. By doing this, we will ensure we have the most accurate information available to inform the necessary action plans and mitigate the severity of the impact of Covid-19 on businesses, industry and the residents of Cape Town.

We have shown that by working together and implementing innovative ideas and smart solutions, we can get through difficult times. I have no doubt that this will prove true again. My team and I will continue to engage with the various business sectors to get their input and understand their challenges, so that we can provide the most suitable and effective assistance going forward.

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



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KEY FINDINGS FOR THE FOURTH QUARTER 2019

This is the 27th edition of the EPIC publication, which presents and analyses economic (and related) trends in Cape Town on a quarterly basis. This edition focuses on the fourth quarter of 2019, covering the period 1 October to 31 December 2019.



In the fourth quarter of 2019, the Western Cape economy **contracted by 1,5% quarter-on-quarter**, signalling a technical recession. The main contributors to this negative growth were the transport (-7,2%), construction (-5,8%), and electricity and water sectors (-5,3%).



The Western Cape recorded a **lower inflation rate of 4,4%** at the end of the fourth quarter of 2019 than at the end of the third quarter of 2019 (4,6%). Although this was higher than the national inflation rate of 4,0%, it remained within the inflation target range (3% - 6%).



The **number of people employed in Cape Town decreased** by 6 722, on a quarter-on-quarter basis, to a total of 1,6 million. On a year-on-year basis, this figure also decreased by 4 384 individuals. The main contributors to employment during the period were the community, social and other personal services (24 588), construction (19 331) and transport and communication (15 327) sectors. The manufacturing (-23 200) and trade, hotels and restaurants (-22 912) sectors recorded the largest job losses over the fourth quarter of 2019.



Cape Town International Airport recorded a year-on-year increase (0,8%) in total passenger movements to 2,96 million passengers, relative to the fourth quarter of 2018 when 2,93 million passenger movements were recorded.



All of Cape Town's top five tourist attractions recorded quarter-on-quarter increases in the number of visits, reflecting the strong seasonality of the local tourism sector. Encouragingly, on a year-on-year basis, four of these attractions also reflected an increase in visitor numbers. Table Mountain Aerial Cableway (33 590) recorded the largest increase in number of visits, following an extended maintenance closure period during the previous quarter.



Construction of 39 901 m² of new office or banking space was reported to have been completed in the fourth quarter of 2019, as well as 10 251 m² of office or banking space alterations.



The office vacancy rate declined by 0,4 % in the fourth quarter of 2019, to 7,3%. This remains the lowest vacancy rate across the five largest metropolitan municipalities in South Africa.

01



SUCCESS STORIES



FIXFORWARD

FIX FORWARD CONNECTS PEOPLE TO QUALITY, HAND-PICKED BUILDING CONTRACTORS THAT PROVIDE ADVICE AND SUPPORT TO GET HOME RENOVATION PROJECTS DONE ON TIME AND WITHIN BUDGET.

They also have a non-profit component that offers entrepreneurial development support to all the contractors they work with.

The entrepreneurial development support provided by Fix Forward to contractors has a particularly positive impact in low-income communities. In the last five years, this support to entrepreneurs has contributed to the creation of nearly 300 new jobs.

The future goals for the business are to expand the technical aspects of the business while preserving the human interaction that has played such a huge part in its success and its appeal to customers.

Tell us a bit more about your business and what it offers?

We connect people to quality, hand-picked building contractors and provide advice and support in getting home renovation projects done on time and within budget. We also have a non-profit that offers entrepreneur development support to all the contractors we work with.

What role does your company play in Cape Town?

We are having a positive influence on an industry that has a terrible reputation for exploiting customers. We are also having a positive impact in low-income communities through the contractors we support.

What factors made you choose to start your business in Cape Town?

Cape Town is my home town. It is also a hub for tech start-up businesses. Tech is an important part of our business and being connected to that network has been helpful.

What are the main benefits of running a business in Cape Town?

We get the benefit of running a serious business in a city that also allows an amazing, healthy, outdoor lifestyle. Cape Town is unrivalled in this regard, as well as in terms of its position as a leading economic centre.

What have the particular highlights been since starting your business in Cape Town?

We have seen some contractors we work with grow their business from just a handful of labourers to almost 30. We also love seeing our contractors celebrated as leaders in their industry, despite the challenges they have faced due to their low-income background.



What challenges, if any, have you experienced in setting up your business?

There were significant delays in getting the non-profit set up and operating well. However, things have improved significantly since then.

Have you had any interactions, positive or negative, with the City of Cape Town in setting up or running your business?

Not directly with the City, no.

How has doing business in Cape Town, or with the City of Cape Town, been different to anywhere else?

We also operate in Gauteng and it's been harder to grow our customer base there. I think people from Cape Town are more open to transacting via tech platforms. As an indication, I heard there are more AirBnB listings in Cape Town than any other city in the world.

What's next? What is the future of your business?

Our goal is to scale our business from here. To do so, we need to build out the tech component, but also ensure that we retain and protect the human, personal side of our business.

If your best friend was on the fence about opening a business or investing in Cape Town, what would you tell him or her?

Do it. There are great entrepreneur networks, a great tech community, fantastic co-working spaces and a large base of customers who are open and willing to try new products and services.



VEG AND MORE SOURCES AND DISTRIBUTES FRESH PRODUCE, SOURCED FROM LOCAL FARMS, TO BUSINESSES INVOLVED IN HOSPITALITY AROUND CAPE TOWN.

Since starting up almost five years ago, Veg and More has grown into a significant business and has created more than 30 job opportunities.

By playing a key role in supporting local farms, Veg and More has established a strong presence in the Cape Town market and built good relationships with their customers and suppliers. Despite challenges like water and energy shortages, the team is committed to delivering consistently excellent service and top-quality produce.

Veg and More plans to expand its operations by making its services available to the general public, while maintaining the quality of fresh consumables provided to all customers.

Tell us a bit more about your business and what it offers?

We source fresh produce from our network of farm suppliers and provide these directly to the consumable trade, such as hotels and restaurants.

What role does your company play in Cape Town?

The team tries to be consistent in setting an example of top quality and service despite the challenges we sometimes face due to water and power shortages, as well as the increasing amount of traffic and congestion in and around Cape Town.

Why Cape Town?

Cape Town has such an amazing atmosphere and culture, and there are numerous opportunities here to support local farms and industry.

What do you enjoy most about operating your business in Cape Town?

The friendliness of Capetonians, the cleanliness of the city and the scenic views. Cape Town still has a lot of potential and we would like to be part of its growing economy and contribute to its bright future.

What have the particular highlights been since starting your business in Cape Town?

We started with the bare minimum and then put everything we had into maintaining and growing the business. The highlight has been to see the way it has grown and to have had the opportunity to build such great relationships with our customers and suppliers.



What challenges, if any, have you experienced in setting up your business?

Finding our place in the market was challenging at first. And it was necessary to develop a good reputation with our customers, and amongst our competitors.

Have you had any interactions, positive or negative, with the City of Cape Town in setting up or running your business?

Honestly, we have had no negative experiences with the City of Cape Town. Whenever we needed help, the City of Cape Town was always there for us.

What's next? What is the future of your business?

We plan on expanding the business by opening our services to the public. But we will remain totally committed to maintaining the quality of our fresh consumables as we grow.

If your best friend was on the fence about opening a business/investing in Cape Town, what would you tell him or her?

It's never easy starting a business anywhere. It is a lot of hard work and commitment. There will be sacrifices you will have to make in order to keep your business alive. You need to always remind yourself what the motivation was to start the business in the first place, believe in what you've started and never give up.

02

OVERVIEW

CAPE TOWN OVERVIEW - 2019 Q4

GROSS DOMESTIC PRODUCT (GDP)

The **Western Cape** accounted for **R436 billion^a** of the **R3 143 billion** gross domestic product (GDP) generated by South Africa in the fourth quarter of 2019. While GDP data is not available at a city level on a quarterly basis, **Cape Town** typically contributes around **71%** of the provincial GDP annually.^b



^a At constant 2010 prices. Source: Quantec, 2020.
^b At current prices. Source: IHS Markit, 2020.

GDP GROWTH RATE

During the fourth quarter of 2019, the **Western Cape** achieved quarter-on-quarter **GDP growth** of **-1,5%**, compared to the **national GDP growth** of **-1,4%**.^c



^c At constant 2010 prices. Source: Quantec, 2020.

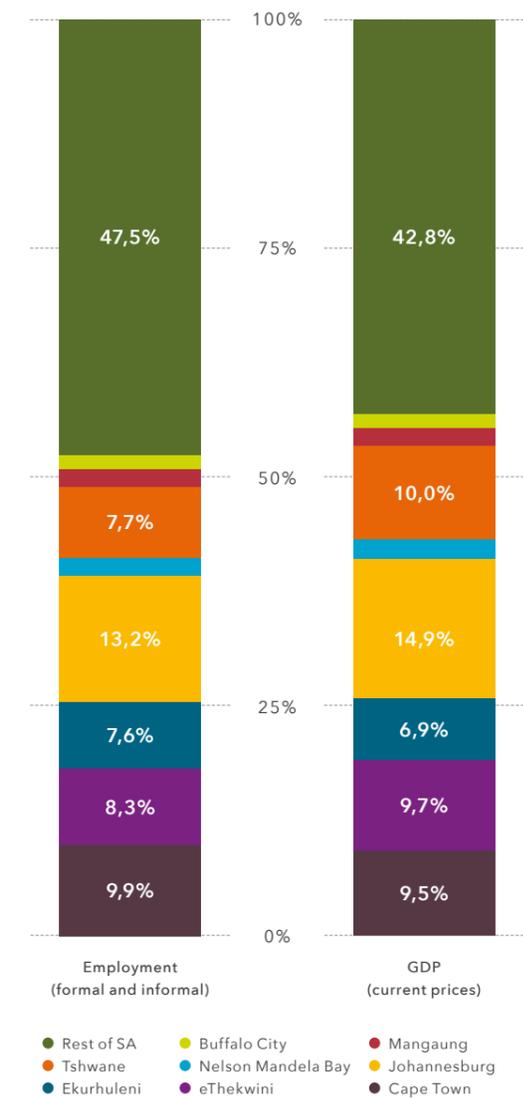
GDP PER CAPITA

In 2018, **South Africa** had a GDP per capita of **R83 851**, while the **Western Cape's** GDP per capita was **R99 121** and **Cape Town's** was **R107 959**.^d



^d At current prices. Source: IHS Markit, 2020.

CAPE TOWN GROSS GEOGRAPHIC PRODUCT AND EMPLOYMENT CONTRIBUTIONS TO SA, 2018^e



^e GGP at current prices. Source: IHS Markit, 2019.

INFLATION

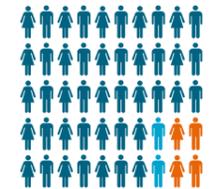
At the end of the fourth quarter of 2019, **South Africa** had inflation of **4,0%**. The **Western Cape's** inflation rate for the same period was **4,4%**.^f



^f Source: Statistics South Africa (StatsSA), 2020.

POPULATION

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



^g Source: Statistics South Africa (StatsSA), 2020.

GINI COEFFICIENT

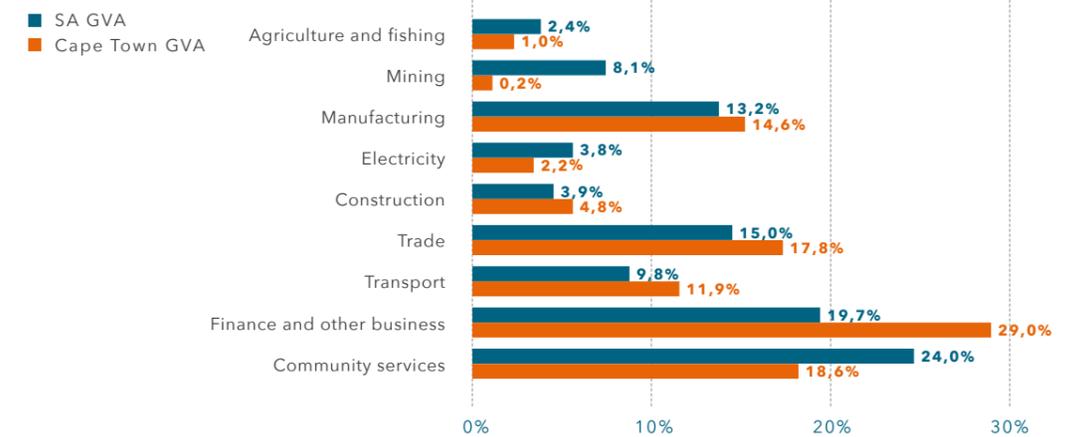
In 2018, **South Africa** had a Gini coefficient of **0,63**, while **Cape Town** had a slightly lower value of **0,62**.^h



* The Gini coefficient measures inequality in levels of income.

^h Source: IHS Markit, 2020.

SECTORAL SHARES, CAPE TOWN GROSS VALUE ADDED (GVA) VERSUS NATIONAL GVA, 2018ⁱ



ⁱ At current prices. Source: IHS Markit, 2020.

VISITOR ATTRACTIONS

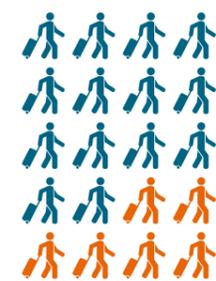
In the fourth quarter of 2019, tourists and residents made **1 326 736** visits to **Cape Town's five major attractions**.^j



^j Source: Cape Town Tourism and Wesgro, 2020.

AIR PASSENGER MOVEMENTS

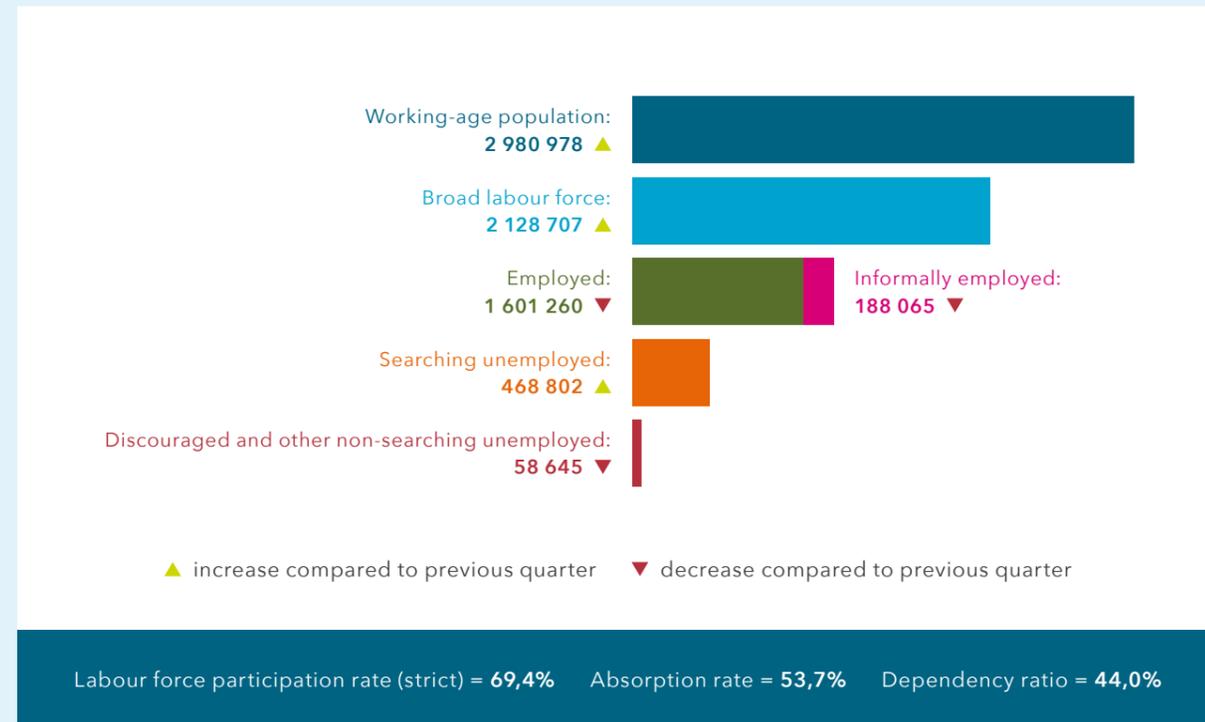
Of the **10 264 965** passengers that moved through **South Africa's three international airports^k** during the fourth quarter of 2019, **2 956 234** used **Cape Town International Airport**.^l



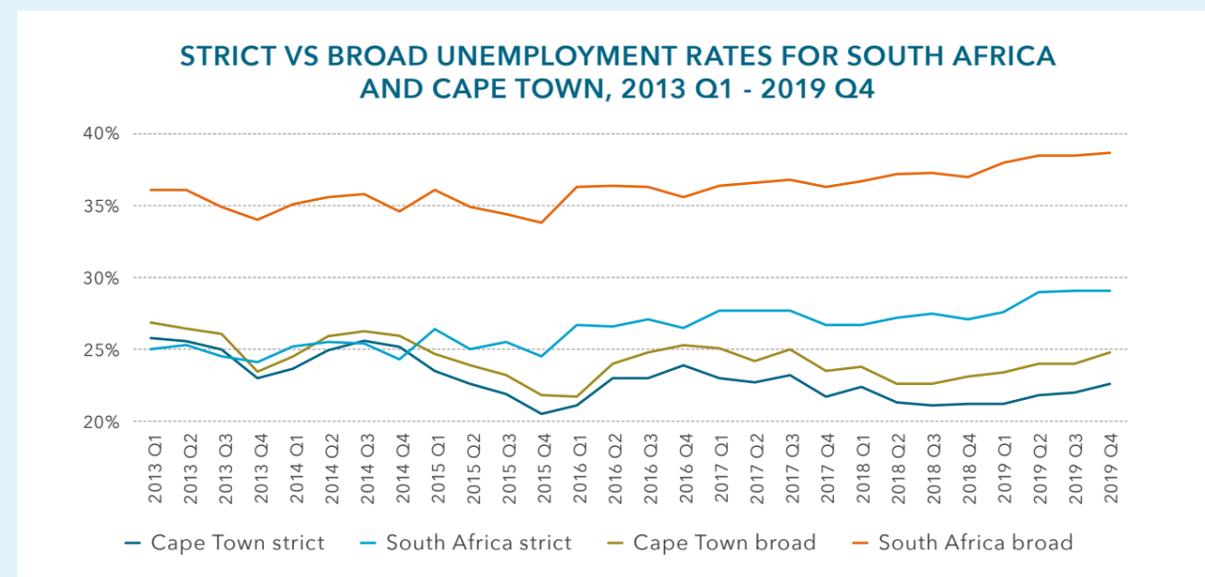
^k Cape Town, OR Tambo and King Shaka.

^l Source: ACSA, 2020.

LABOUR OVERVIEW - 2019 Q4



Source: Statistics South Africa, Quarterly Labour Force Survey, 2019 Quarter 4, February 2020.



Source: Statistics South Africa, Quarterly Labour Force Survey, 2019 Quarter 4, February 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 GDP-R GROWTH RATE

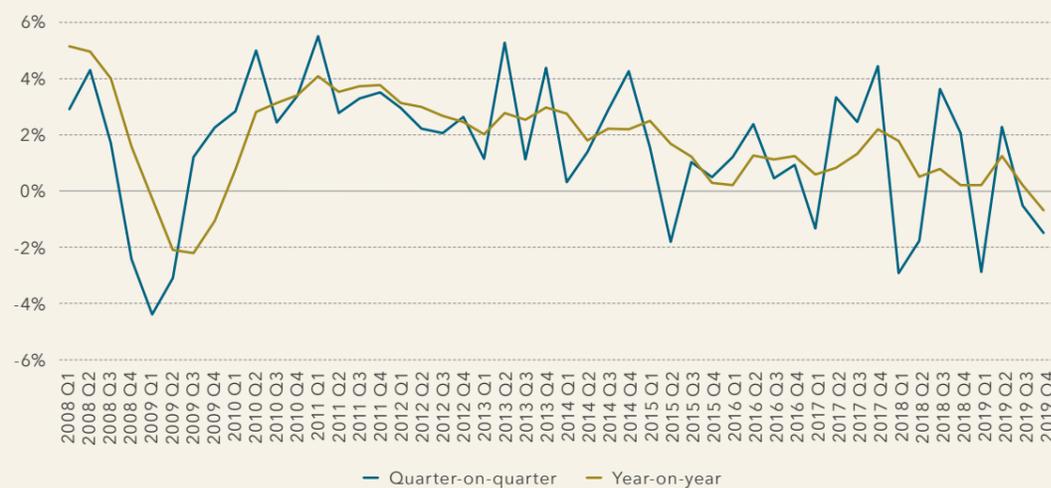
The Western Cape economy contributes around 14% of South Africa's gross domestic product (GDP). The province's economic performance is typically closely aligned to the country's economic performance. In line with the 1,4%¹ contraction of the national economy in the fourth quarter of 2019, the Western Cape economy contracted by 1,5%. As a result, both economies entered a technical recession².

As was the case with national economic performance, the Western Cape's contraction in the fourth quarter was broad based, with eight of the 10 sectors recording negative growth on a quarter-on-quarter basis. The largest contraction in the fourth quarter was seen in the transport and communication sector, which declined by 7,2%. The most significant positive growth was experienced by the finance sector, which was up 2,5%.

Alongside the unexpectedly weaker quarter-on-quarter results, the year-on-year data indicates steadily declining growth rates. As figure 1 shows, on a year-on-year basis, the province's economy contracted by 0,7% in the fourth quarter of 2019, which was a decrease of 0,5 of a percentage point from the previous quarter. This marked the first time in 10 years that the Western Cape economy recorded a negative year-on-year growth rate.

While GDP-R statistics for Cape Town are not available on a quarterly basis, the performance of the metropolitan municipality's economy can be expected to typically mirror that of the provincial economy. This is because the city contributes around 71% of the provincial economic output (IHS Markit, 2020). On average, in the last 10 years, the variation between the city's gross geographic (GGP) growth rate and the provincial rate has been 0,2 of a percentage point. If this were to hold true for the fourth quarter of 2019, a plausible range for Cape Town's quarter-on-quarter economic growth would be between -1,7% and -1,3%. However, the provincial economic contraction showed a relatively strong negative impact from the agricultural sector contraction, but a positive contribution by the finance sector. As such, this range may underestimate the performance of the city economy, given that the finance sector contributes a greater share of economic activity in Cape Town compared to the provincial economy (35% compared to 31%), while the agricultural sector contributes a relatively small share. If Cape Town's economic sectors recorded the same growth rates as that of the provincial sectors, Cape Town would have recorded a decline in GVA of 1,1% (compared to a provincial GVA growth rate of -1,3%).

FIGURE 1: REAL GGP GROWTH FOR THE WESTERN CAPE, 2008 Q1 TO 2019 Q4



Source: Quantec, March 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.

SECTORAL DRIVERS OF ECONOMIC GROWTH IN THE WESTERN CAPE

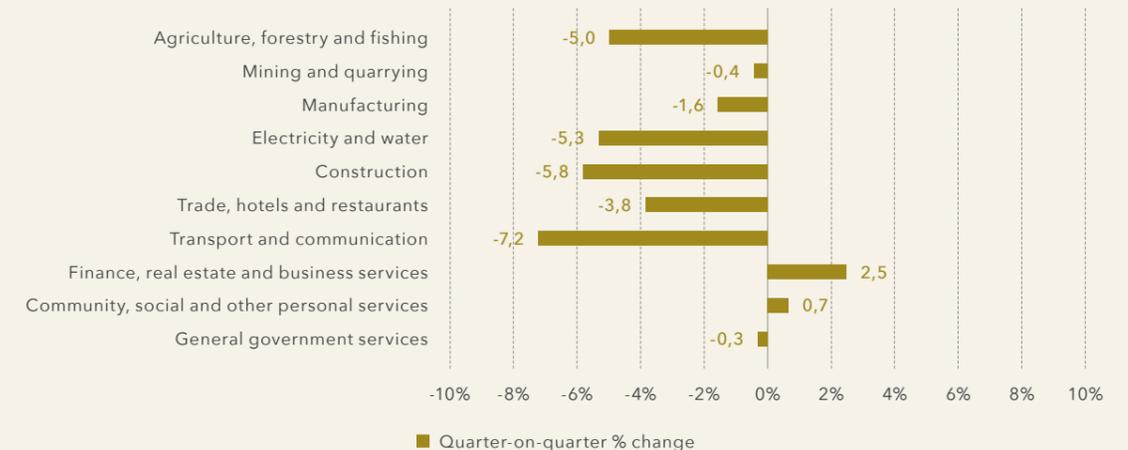
The Western Cape economy's performance in the fourth quarter of 2019 was characterised by poor performances across most of its sectors. The most prominent contributors to the Western Cape's total gross value added (GVA) were the finance, trade and manufacturing sectors. Of these, the finance sector was the only positive contributor to growth in the period, adding 0,8 of a percentage point to growth. The majority (eight) of the Western Cape's sectors contracted in the fourth quarter of 2019, subtracting a combined 2,2 percentage points from total growth. Of these, the transport and retail sectors were the largest negative contributors towards growth, subtracting 0,8 and 0,6 of a percentage point, respectively.

From an individual sectoral performance perspective, the finance sector recorded the highest growth (2,5%) in the fourth quarter of 2019, improving 1 percentage point from growth in the previous quarter. The agricultural (-5,0%) and transport (-7,2%) sectors both recorded their fourth consecutive quarter of negative growth, whilst the construction sector (-5,8%) recorded its sixth consecutive contraction. The manufacturing sector (-1,6%) continued its fluctuating performance, recording a second consecutive contraction. The trade sector (-3,8%) followed a similar pattern, contracting in the fourth quarter of 2019 following positive growth in the previous two quarters, despite nationwide Black Friday promotions at the end of November. With load-shedding anticipated to continue in 2020, sectoral growth is expected to experience continued strain (BER, 2020a).

Similar sectoral growth rates can be expected for Cape Town, as the city is the major contributor to most economic sectors in the province. In particular, it comprises 82% of the Western Cape's finance and business services, 77% of its transport, 73% of its wholesale and retail trade, 69% of its manufacturing, and 63% of its construction sectors (IHS Markit, 2020). As such, the city is likely to have experienced very similar growth rates to those seen at a provincial level in these sectors in the fourth quarter of 2019.

In contrast to Cape Town's high contribution to the tertiary sector output of the province, its contribution to the province'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 primary sector GGP growth in the Western Cape. However, even if Cape Town's primary sector (agriculture, in particular) did mirror provincial trends, it is unlikely that this would have had a large impact on the overall growth rate of the city, as the primary sector contributes only 1% to Cape Town's total GGP. Rather, the performance of the city's economy in the fourth quarter of 2019 would have been driven by the performance of the finance, community services and trade sectors, which in 2018, comprised 35%, 17% and 16% of the city's economy, respectively. Given that the finance sector was the largest positive contributor to economic growth at the provincial level in the fourth quarter, it is reasonable to believe that Cape Town may have experienced slightly higher economic growth than the province in this period.

FIGURE 2: SECTORAL REAL GDP-R GROWTH RATES IN THE WESTERN CAPE, 2019 Q4



Source: Quantec, March 2020.

04



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

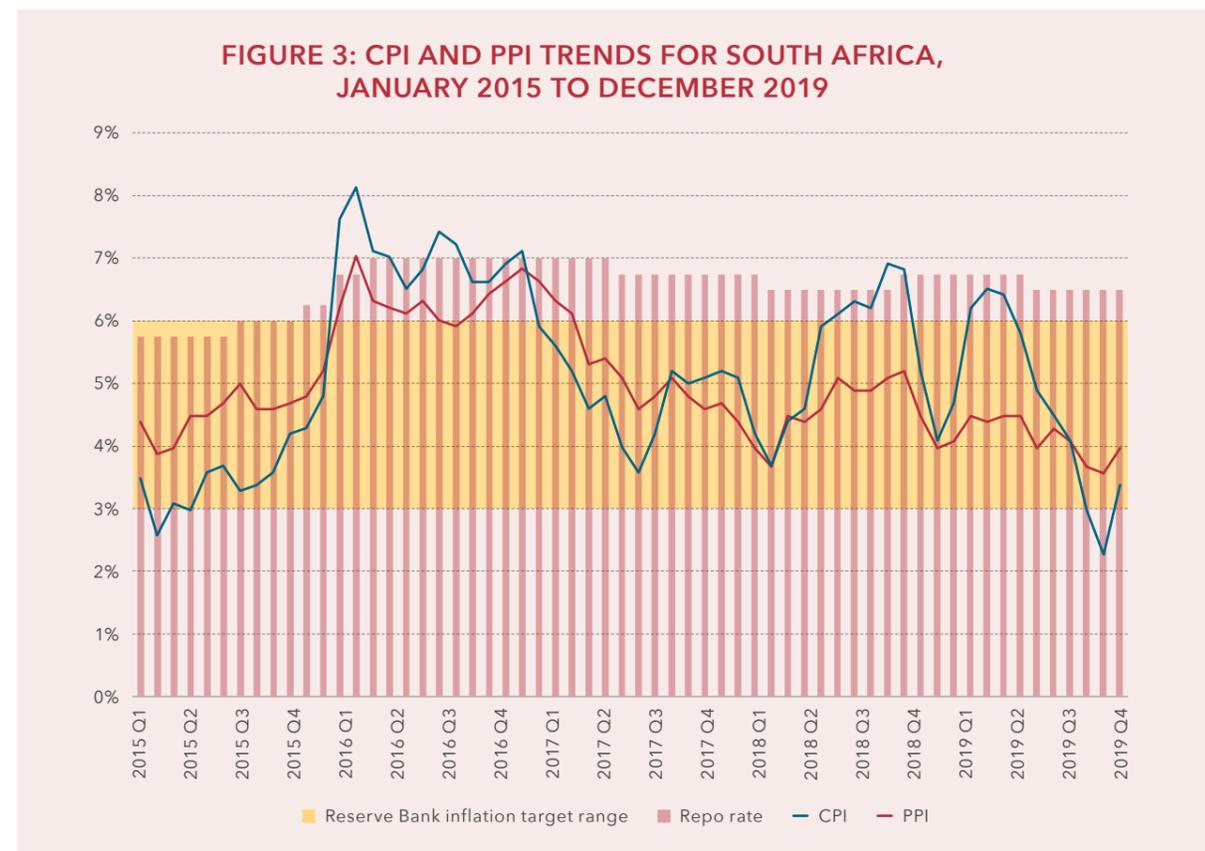
As at the end of the fourth quarter of 2019, the CPI had decreased to 4,0% from 4,1% at the end of the third quarter. As illustrated in figure 3, the CPI for October was 3,7%, the lowest reading since March 2018. The CPI further decreased to 3,6% in November, thereafter increasing to 4,0% in December 2019. Encouragingly, the headline inflation rate remained below the upper end of the inflation target range (6%) for the fourth quarter. This has been the case every quarter since the second quarter of 2017. According to Statistics South Africa (2020), the main contributors to the overall CPI inflation rate for December 2019 included food and non-alcoholic beverages, housing and utilities, and transport. According to the Monetary Policy Committee (MPC) statement of January 2020 (South African Reserve Bank [SARB], 2020), the lower headline inflation is a result of goods, services and food price inflation remaining subdued overall.

For the fourth quarter of 2019, the PPI decreased significantly to 2,9%, after averaging 4,5% during the third quarter. It recorded monthly readings of 3,0% in October, decreasing to 2,3% in November and

then increasing to 3,4% in December 2019. The main inflationary contributors to PPI in December (in terms of final manufactured products) were the prices of food products, beverages and tobacco products, metals, machinery, equipment and computing equipment, and Coke, petroleum, chemical, rubber and plastic products.

Interestingly, after a significant decrease (to zero) by the end of the third quarter of 2019, the percentage gap between the CPI and the PPI remained fairly low at a 0,6 percentage point gap in December 2019.

Figure 3 also illustrates changes in the repurchase rate (repo rate). As indicated in the graph, the repo rate remained unchanged at 6,5% throughout the fourth quarter of 2019. According to the MPC statement of November 2019 (SARB, 2019), key reasons to keep the repo rate unchanged were the continued moderate inflation expectations, as well as a slightly weaker rand performance at that point. The MPC will, however, continue its efforts to anchor inflation expectations near the mid-point of the inflation target range in support of sustainable and balanced growth.



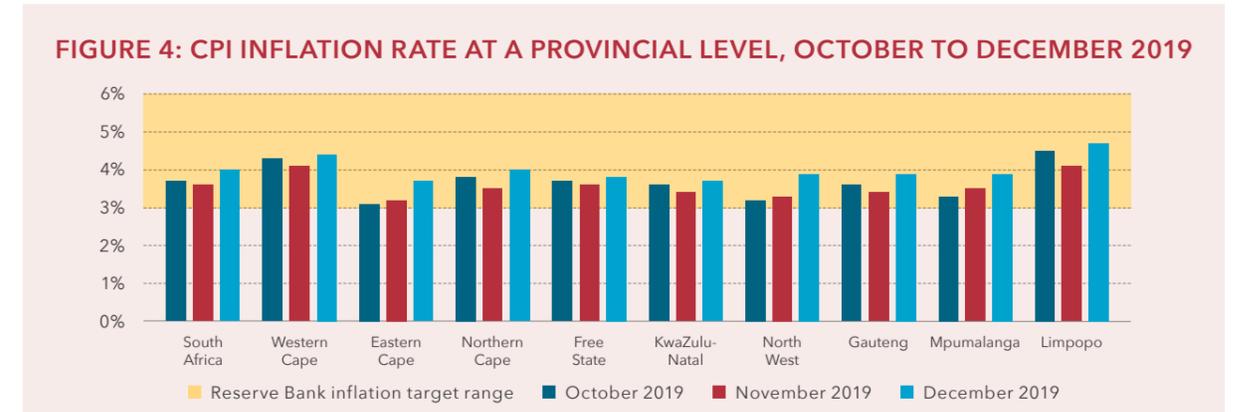
Source: CPI and PPI extracted from Statistics South Africa, 2020; repurchase rate extracted from SARB, 2019.

GEOGRAPHICAL INFLATION

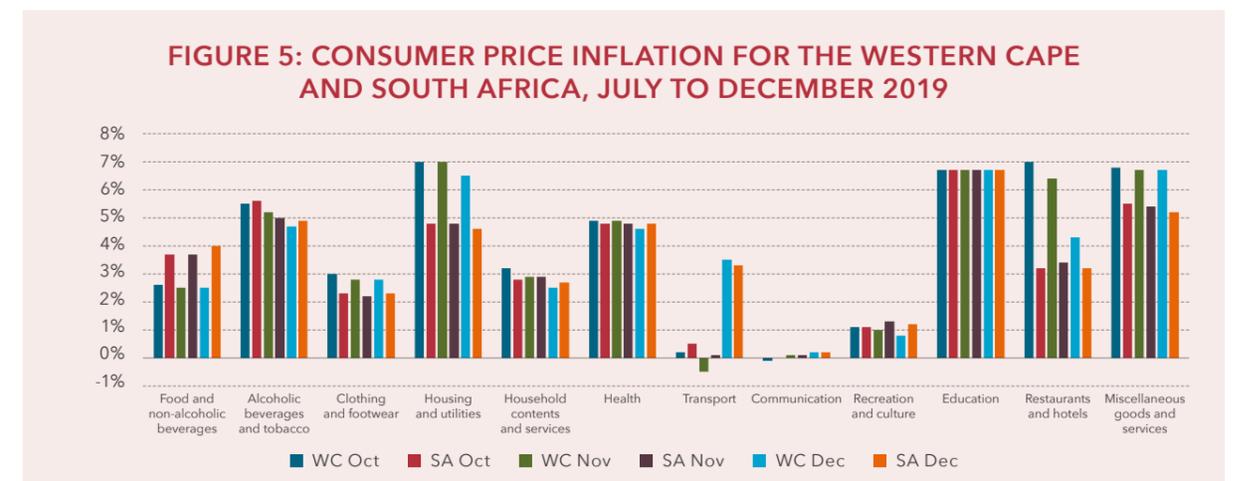
The Western Cape recorded an inflation rate of 4,4% at the end of the fourth quarter of 2019. This was slightly lower than the 4,6% at the end of the preceding quarter. Although remaining within the inflation target range, the provincial inflation rate was higher than the national rate of 4,0%. Figure 4 illustrates inflation rates recorded in the fourth quarter of 2019 across all nine provinces in the country. In comparison to the end of third quarter of 2019, the majority of the provinces recorded slight decreases in their respective inflation rates, with the North West and Mpumalanga being the only provinces to show an increase, while the Eastern Cape remained unchanged. Limpopo recorded the highest inflation rate throughout the quarter, with an average of 4,4%, followed by the Western Cape (4,3%), and Northern Cape (3,8%). The Eastern Cape (3,3%) recorded the lowest average inflation rate in the fourth quarter of 2019. All nine provinces remained within the inflation target range of 3% and 6%.

The higher overall inflation rate at the provincial level (compared to the national level) for the fourth quarter of 2019 can largely be attributed to housing and utilities' price inflation, which was recorded at 6,5% for the Western Cape and 44,6% nationally in December. In this category, the disparity between prices at the provincial and national levels was notable in owners' equivalent rent³ and actual rentals for housing, which were recorded at 6,0% and 5,2%, respectively for the province, compared to 2,4% and 2,9%, respectively at the national level. In addition, the Western Cape recorded a higher inflation rate of 4,3% in the restaurants and hotels category in December, compared to the 3,2% national level.

Notably, transport price inflation at both a national and provincial level came in at considerably lower rates throughout the fourth quarter of 2019, recording an average of 1,3% and 1,1% respectively, compared to 3,1% and 2,9% respectively, for the third quarter.



Source: Statistics South Africa, February 2020.



Source: Statistics South Africa, February 2020.

³ As defined by Statistics South Africa, the category "owners' equivalent rent" measures the opportunity cost to owners of forgoing a rental income by living in, rather than renting out, the house they own (Statistics South Africa, 2017).

05



LABOUR MARKET

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

CAPE TOWN'S LABOUR MARKET PERFORMANCE

Cape Town's working age population (2,98 million) and labour force (2,07 million) increased on both a quarter-on-quarter and year-on-year basis in the fourth quarter of 2019. Employment decreased quarter-on-quarter (-6 722) and increased year-on-year (4 384), recording a total of 1,6 million individuals. The increase in the working age population and the decrease in employment for this quarter meant that the labour absorption rate decreased to 53,7% from 54,2% in the previous quarter, while also decreasing year-on-year. The labour force participation rate remained unchanged on a quarter-on-quarter level at 69,4% in the fourth quarter of 2019, while decreasing by 0,2 of a percentage point when compared to the same quarter of the previous year.

Formal employment recorded a quarter-on-quarter increase (18 394) and a year-on-year decrease (-11 975) to record a total of 1,3 million individuals. Informal employment decreased on a quarterly basis (-17 360) and increased by 15 162 on a yearly basis, to record a total of 188 064 individuals in the fourth quarter of 2019. The share of total employment contributed by informal employment decreased to 11,7% from 12,8% in the third quarter.

The number of discouraged work-seekers declined slightly (-234) quarter-on-quarter, while increasing year-on-year (4 167) to record a total of 20 870 individuals in the fourth quarter. Although discouraged work-seekers declined by a small amount, the larger increase in the searching unemployed category in the fourth quarter resulted in an overall increase in the broad unemployment rate to 24,8%, up from 24,0% in the previous quarter.

TABLE 1: CAPE TOWN LABOUR MARKET INDICATORS

METRO	RECORDED			QUARTER-ON-QUARTER CHANGE (vs 2019 Q3)	YEAR-ON-YEAR CHANGE (vs 2018 Q4)
	2019 Q4	2019 Q3	2018 Q4		
Working-age population	2 980 978	2 967 498	2 926 043	13 480	54 935
Labour force	2 070 062	2 060 642	2 025 555	9 420	44 507
Employed: Total	1 601 260	1 607 982	1 596 876	-6 722	4 384
Employed: Formal sector	1 309 253	1 290 859	1 321 228	18 394	-11 975
Employed: Informal sector	188 065	205 424	172 903	-17 360	15 162
Unemployed	468 802	452 660	428 679	16 142	40 123
Not economically active	910 917	906 856	900 488	4 061	10 428
Discouraged work-seekers	20 870	21 104	16 703	-234	4 167
Other not economically active	890 047	885 752	883 785	4 295	6 262

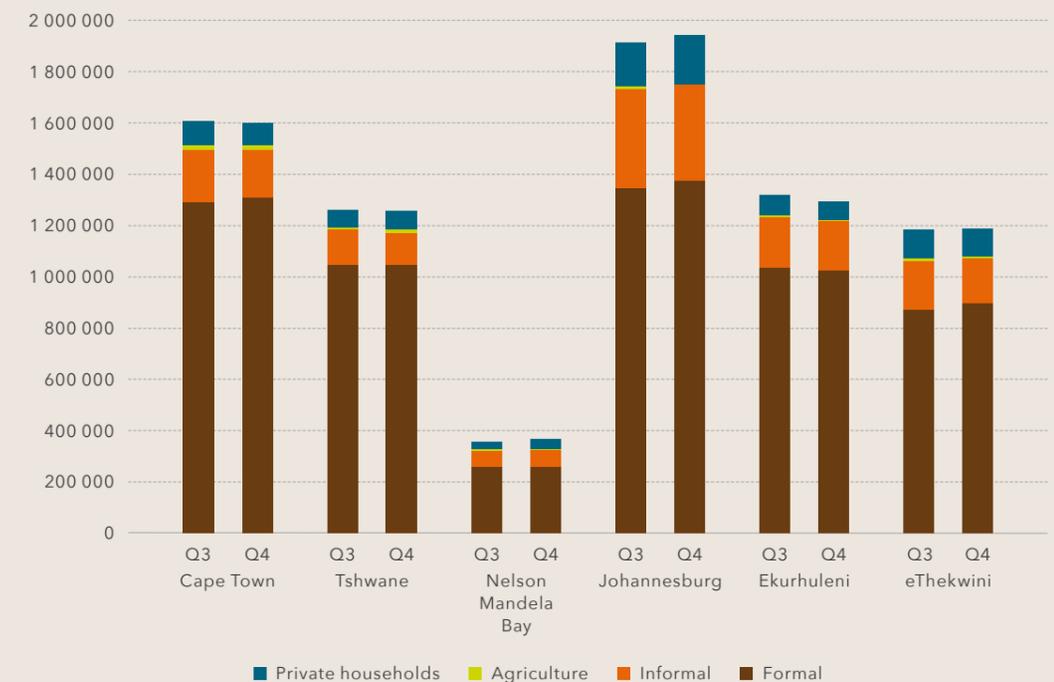
Source: Statistics South Africa, Quarter Labour Force Survey, 2019 Quarter 4, February 2020.

EMPLOYMENT COMPARISON OF METROS

When measuring Cape Town's job creation performance, a comparison with other metropolitan municipalities (metros) in the country is helpful. In the fourth quarter of 2019, Cape Town continued to have the second largest number of employed people, at 1,6 million individuals. This is second only to Johannesburg, where 1,9 million people were employed. This is to be expected, however, as Johannesburg has a significantly larger population than Cape Town.

As can be seen in figure 6, the country's six metros recorded mixed employment performances in the fourth quarter of 2019. Three metros displayed positive employment growth, while three showed negative growth on a quarter-on-quarter basis. Johannesburg added the most jobs (30 996), followed by Nelson Mandela Bay (an increase of 11 590) and eThekweni (an increase of 7 349). Formal jobs contributed the largest to Johannesburg's employment growth, while jobs in the informal and agriculture sectors contributed most to the employment growth in Nelson Mandela Bay and eThekweni. Ekurhuleni shed the most jobs for the quarter, with a decrease of 23 794, followed by Cape Town and Tshwane which shed 6 722 and 4 832 jobs respectively.

FIGURE 6: EMPLOYMENT COMPARISON WITH OTHER METROS BY MAJOR SECTOR, 2019 Q3 VERSUS 2019 Q4



Source: Statistics South Africa, Quarter Labour Force Survey, 2019 Quarter 4, February 2020.

UNEMPLOYMENT IN CAPE TOWN

The number of unemployed people in Cape Town increased on both a quarter-on-quarter (16 142) and a year-on-year (40 123) basis, to record a total of 468 802 individuals at the end of the fourth quarter of 2019. The decline in employment and the increase in unemployment for this quarter resulted in a slightly higher strict unemployment rate (22,6%) when compared to the previous quarter (22,0%). The youth unemployment rate in Cape Town, defined as the strict unemployment rate for individuals aged 15 to 24, was estimated at 46,0% in the fourth quarter of 2019, having increased from 45,6% in the previous quarter. On a year-on-year level, this youth unemployment figure increased from the 44,4% recorded in the fourth quarter of 2018. While this remains below the national youth unemployment rate of 58,1% (decreasing from 58,2% in the previous quarter), it is nonetheless notably high by average developing-country standards and continues to pose a key challenge for economic policymakers in the city.

While comparisons of Cape Town's unemployment trends with those of the country as a whole are

important, it is perhaps more relevant to compare these Cape Town trends to other metros that have similar labour market dynamics (see table 2). On a quarter-on-quarter basis, eThekweni had the lowest strict unemployment rate (20,9% down from a previous 21,5%), while Cape Town had the lowest expanded unemployment rate of 24,8% (up from the previous 24,2%) when compared to all the other metros.

Cape Town and Ekurhuleni both had the largest quarter-on-quarter increase in their strict unemployment rate (0,7 of a percentage point each). The large differences revealed in the relationship between strict and expanded unemployment rates in each of the six metros are notable. Nelson Mandela Bay recorded the lowest difference (1,2 percentage points) between the two rates of unemployment. eThekweni recorded a 9,6 percentage points difference, the largest of all the metros. Cape Town continues to have relatively low differences between the two rates of unemployment (2,2 percentage points difference) and this can be attributed to the city having a relatively small number of discouraged work-seekers.

TABLE 2: UNEMPLOYMENT RATES BY METRO, 2019 Q4 VS 2019 Q3 AND 2018 Q4

METRO	OFFICIAL (STRICT)			EXPANDED (BROAD)		
	2019: Q4	2019: Q3	2018: Q4	2019: Q4	2019: Q3	2018: Q4
Cape Town	22,6	22,0	21,2	24,8	24,2	23,1
eThekweni	20,9	21,5	21,8	30,5	30,6	29,7
Ekurhuleni	31,8	31,0	31,2	35,7	35,3	35,5
Johannesburg	32,7	32,4	29,0	35,0	34,6	31,2
Nelson Mandela Bay	34,1	34,9	35,9	35,3	35,3	36,0
Tshwane	27,5	28,4	28,0	33,1	32,6	32,3

Source: Statistics South Africa, Quarterly Labour Force Survey, 2019 Quarter 4, February 2020.

SECTOR EMPLOYMENT TRENDS FOR CAPE TOWN

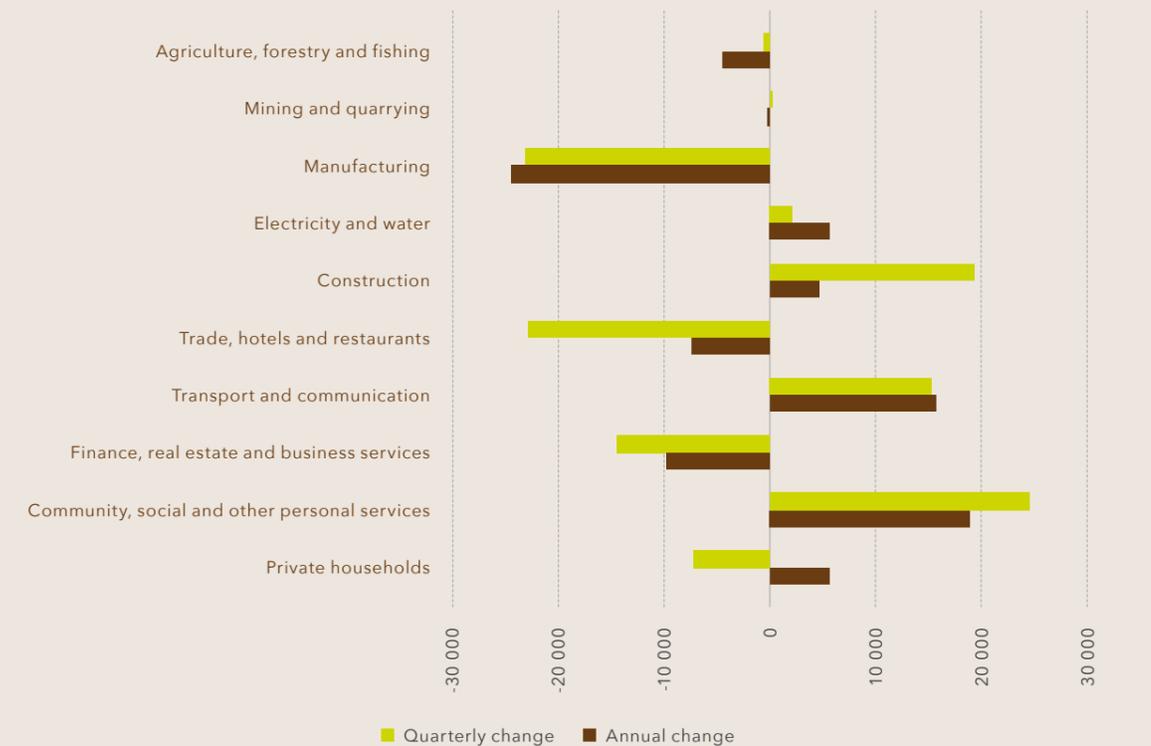
Figure 7 presents the change in the level of employment by sector in Cape Town in the fourth quarter of 2019. Five sectors made a positive quarter-on-quarter contribution to employment creation, with the highest contributions coming from the community, social and other personal services (24 588), construction (19 331), and transport and communication (15 327) sectors. Further positive contributions to total employment were made by the electricity and water (2 176) and mining and quarrying (141) sectors.

The largest quarter-on-quarter reduction in employment was seen in the manufacturing sector, which recorded 23 200 job losses. This was closely followed by the trade, hotels and restaurants sector, which recorded 22 912 job losses. The finance, real estate and the business services sector shed 14 418 jobs, and employment in the private households sector declined by 7 192.

On a year-on-year basis, five sectors displayed positive employment growth when compared to the fourth quarter of 2018. The community, social and other personal services sector added the most jobs, with an increase of 18 938. The transport and communication sector followed closely with an increase of 15 743 jobs. Electricity and water (5 682), private households (5 624) and construction (4 661) sectors also added to employment growth.

The manufacturing sector recorded the largest decrease in employment (down 24 474) when compared to the fourth quarter of the previous year. This was followed by finance, real estate and business services (down 9 817), trade, hotels and restaurants (down 7 459), agriculture, forestry and fishing (down 4 427) and mining and quarrying (down 88) sectors.

FIGURE 7: QUARTERLY AND ANNUAL CHANGE IN EMPLOYMENT PER SECTOR FOR CAPE TOWN, 2019 Q4



Source: Statistics South Africa, Quarterly Labour Force Survey, 2019 Quarter 4, February 2020.

06



INFRASTRUCTURE

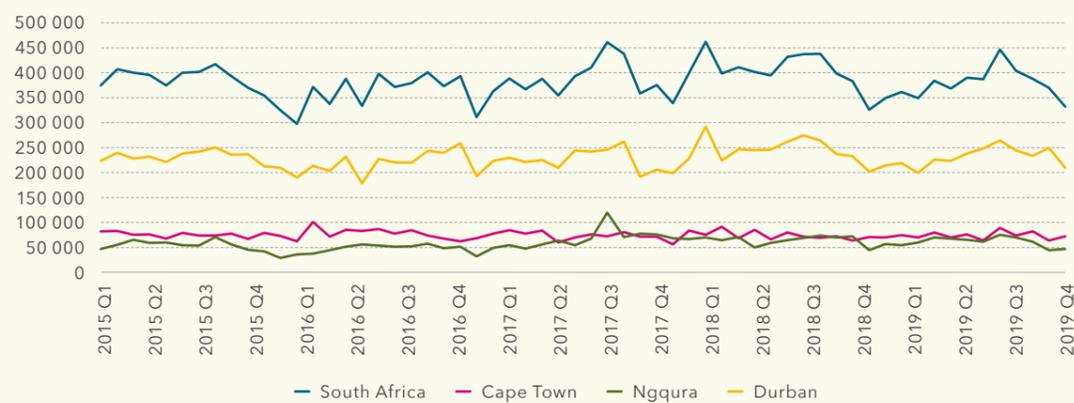
Cape Town is often promoted as the gateway to South Africa and Africa. This status is sustained by the city's well-developed transportation infrastructure, including South Africa's second-busiest airport, as well as (historically) its second-busiest container port. This section reviews infrastructure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

CONTAINER HANDLING

Trends in container traffic tend to be irregular, as indicated in figure 8. As such, a comparison of total containers handled, as measured in twenty-foot equivalent units (TEUs⁴) over the period of a year, is an appropriate way of providing accurate and appropriate insights. In the fourth quarter of 2019, the Port of Durban⁵ was once again the largest container handling port in the country with 693 399 TEUs (comprising 63,66% of all containers handled in South Africa), followed by the Port of Cape Town (20,03%) and the Port of Ngqura⁶ (14,02%).

The number of containers handled at the Port of Cape Town increased from 206 789 TEUs in the fourth quarter of 2018 to 218 187 TEUs in the fourth quarter of 2019, reflecting a positive growth rate of 5,5%. The Port of Durban also experienced an increase in container handling of 3,1%, while the Port of Ngqura declined by 18,1% year-on-year. The positive performance of the ports of Cape Town and Durban was offset by the significant decline in the Port of Ngqura, resulting in a year-on-year decrease of 1,7% in total container handling nationally in the fourth quarter of 2019.

FIGURE 8: TOTAL CONTAINERS HANDLED (NATIONALLY), 2015 Q1 TO 2019 Q4



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

The Port of Cape Town has recently faced several inefficiency challenges as a result of congestion and delays due to a shortage of cranes. By international standards, there should be three to five cranes per ship to load containers. However, the Port of Cape Town has an average of 2,5 cranes per ship. The impact of this shortage has been noted to result in delays of up to three days per ship, amounting to a potential total loss of 1 530 ship days per year for the port (African News Network [ANN], 2019a).

The Transnet National Ports Authority (TNPA) is responsible for the management of the national port system. This includes a responsibility to ensure its "safe, effective and efficient economic functioning" (TNPA, 2019b). As part of its ongoing initiatives to improve services at South African ports, the TNPA is undertaking infrastructure investments across all ports, which will also allow for 'on demand' employee availability for specific services, which will help to optimise

efficiencies. As part of these investments, the Port of Cape Town is set to receive four straddle carriers, which will improve and sustain the efficiency of the Cape Town Container Terminal operations that largely service the agricultural industry (Liedtke, 2020).

Additionally, the Port of Cape Town attracted some of the world's most popular cruise liners in the 2019/2020 cruise season through its Cape Town Cruise Terminal at the V&A Waterfront. To give effect to its goal of making Cape Town the world's most popular cruise liner destination, the Cruise Cape Town Project is working to increase cruise liner access. This includes enhancing mobility in and out of Cape Town, as well as raising Cape Town's competitiveness in the global cruise industry. This new project is a collaborative effort between Transnet, Wesgro, the V&A Waterfront, SA Maritime Safety Authority, the City of Cape Town and the Western Cape Government (Meyer, 2020).

⁴ A TEU (20-foot equivalent unit) is an inexact unit of cargo capacity, based on the volume of a 20-foot-long (6m) 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.

⁵ The Port of Durban is located in the eThekweni metro municipality.

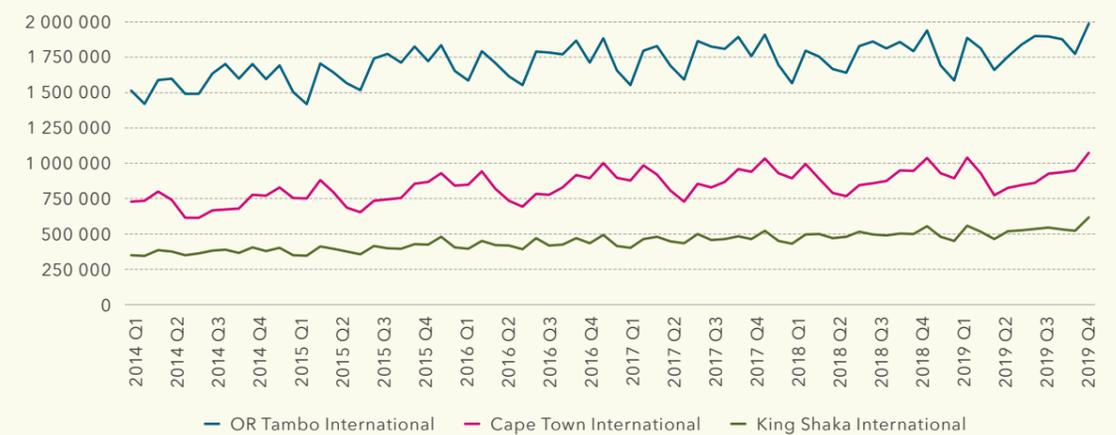
⁶ The Port of Ngqura is located in the Nelson Mandela Bay metro municipality.

AIRPORT STATISTICS

Cape Town International Airport is South Africa's second-busiest airport, after OR Tambo International Airport in Johannesburg. It recorded 2,96 million total passenger movements (arrivals and departures) in the fourth quarter of 2019, compared to 5,64 million passenger movements at OR Tambo International and 1,67 million at King Shaka International during the same period.

Total passenger movements at Cape Town International in the fourth quarter of 2019 increased by 0,8% year on year. This represented a total of 23 822 more passenger movements than observed in the fourth quarter of 2018. OR Tambo International's total passenger movements saw a year-on-year increase of 0,9% in the fourth quarter of 2019, while King Shaka International saw a year-on-year increase of 7,53% (albeit of the smallest base of the three airports).

FIGURE 9: TOTAL (MONTHLY) PASSENGER MOVEMENTS AT SOUTH AFRICA'S MAJOR AIRPORTS, 2014 Q1 TO 2019 Q4



Source: Airports Company South Africa, February 2020.

Total passenger arrivals at Cape Town International continued to show gradual recovery from the dampened tourist activity (from air departure markets) of 2017 and 2018. A year-on-year increase of 0,7% in total arrivals was recorded in the fourth quarter of 2019. Domestic arrivals recorded a year-on-year increase of 1,8% for the same period. Despite a continued challenging economic climate, analysts note that domestic tourism continues to represent between 50% and 60% of the market (Business Report, 2019a). In contrast, international arrivals recorded a year-on-year decline of 2,0%. This sluggish performance may be attributable to factors like visa requirement challenges, local safety and security concerns, as well as increased competition from other African countries (Van der Merwe, 2020).

As part of its efforts to encourage international travellers, the Department of Home Affairs began testing and piloting its electronic visa application system in December 2019. This is aimed at streamlining and simplifying the application process, thereby making it easier and more convenient for visa applicants (BusinessTech, 2019). Additionally, the Republic of Tunisia has been added to the list of countries with

visa-free travel status to South Africa, bringing the total number of countries whose citizens enjoy visa-free travel to South Africa to 83 the total number of countries whose citizens enjoy visa-free travel to South Africa (BusinessTech, 2019).

International passenger movements may improve further as a result of several direct flights coming on-line in 2020. These include Virgin Atlantic's addition of a direct route from London, Heathrow to Cape Town. This is expected to enhance the vital link between the two cities and create a more competitive environment that will improve the value proposition for passengers (IOL, 2020). British Airways also added three more daily flights between Heathrow and Cape Town for summer 2020, increasing the number of flights per week to 10 from 30 March until 19 April annually (ANN, 2020b).

In 2020, South Africa's tourism industry will potentially be impacted by several factors, including the South African Airways business rescue; slow economic growth; electricity and water constraints; changing travel behaviour as a result of new air connectivity; as well as changing views on animal interactions, including wildlife (Jansen van Vuuren, 2020).

07



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.

TOURISM

Cape Town is a well-known domestic and international tourist destination, and the city's tourism sector is a valuable contributor to the local and national economy. The occupancy and revenue figures presented in table 3 are derived from a monthly survey⁷ of an average of 106 tourism accommodation establishments in the Cape Town metropolitan area (Cape Town Tourism, 2019). Occupancy rates at city accommodation establishments decreased by an average of 3,2 percentage points year-on-year in the fourth quarter of 2019. The month of November saw the highest occupancy rate (75,0%) in the quarter, while the biggest year-on-year decrease was recorded in December, at 4,1 percentage points. Lower year-on-year occupancy rates reflect the

continued challenges faced by the industry since the region's last drought period. During the fourth quarter of 2019, the average room rate decreased by R2,00, year-on-year, while the revenue per room decreased by R68,00 over the same period.

On average, tourist accommodation in Cape Town overall performed worse than the corresponding period in the previous year. The weaker year-on-year results for the fourth quarter of 2019 reflect prevailing sluggish economic growth and low levels of consumer confidence. Across the individual establishments types, the highest occupancy rate was recorded by backpacker accommodation establishments (73,2%), followed by hotels (70,8%).



TABLE 3: INCOME DERIVED FROM TOURIST ACCOMMODATION⁸, 2018 Q4 VERSUS 2019 Q4

INDICATOR	OCTOBER		NOVEMBER		DECEMBER		FOURTH-QUARTER AVERAGE	
	2019	2018	2019	2018	2019	2018	2019	2018
Occupancy rate	64,0%	66,7%	75,0%	77,8%	67,8%	71,9%	68,9%	72,1%
Average room rate	R1 812	R1 741	R1 951	R2 026	R2 214	R2 214	R1 992	R1 994
Average revenue per room	R1 160	R1 160	R1 463	R1 576	R1 500	R1 591	R1 374	R1 442

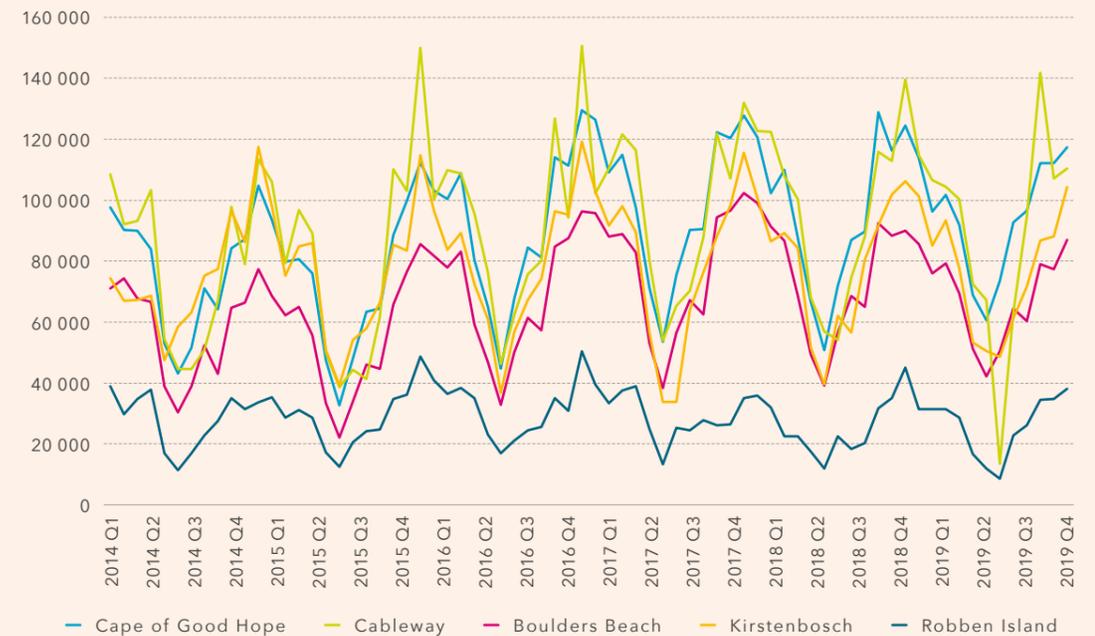
Source: Derived from Cape Town Tourism data, Selected Accommodation Establishments, March 2020.

For the fourth quarter of 2019, all of Cape Town's five major tourist attractions⁹ experienced increases on a quarter-on-quarter basis. The Table Mountain Aerial Cableway showed the highest increase in number of visits (187 204; 109,1%), while Robben Island had the lowest increase in the number of visits (48 321; 83,2%). On a year-on-year basis, Table Mountain Aerial Cableway also recorded the highest increase in number of visits (33 590), while Kirstenbosch National Botanical Gardens

recorded the only negative year-on-year growth rate of -0,2%. The significant improvement shown by Table Mountain Aerial Cableway, notably its quarter-on-quarter results, was also influenced by its "extended" annual maintenance closure period for 2019, which took place from 8 July to 11 August (Table Mountain Aerial Cableway, 2019a and 2019b). On average, across the five attractions, the number of visits increased by 6,2% year-on-year in the fourth quarter of 2019.

⁷ Important to note is that the monthly survey varies every month in both sample size and the specific respondents.
⁸ 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).
⁹ Includes Cape of Good Hope, Boulders Beach, Table Mountain Aerial Cableway, Kirstenbosch National Botanical Gardens and Robben Island. Excludes the V&A Waterfront.

FIGURE 10: TOTAL (MONTHLY) VISITS TO THE TOP 5 TOURIST DESTINATIONS OF CAPE TOWN, 2014 Q1 TO 2019 Q4



Source: Derived from Wesgro and Cape Town Tourism data, March 2020.

Figure 10 also illustrates the highly seasonal nature of Cape Town's attractions, with peak visitor activity occurring in the summer period from November to March. The lowest tourist visitor numbers are typically recorded between May and July, which are Cape Town's winter months.



08

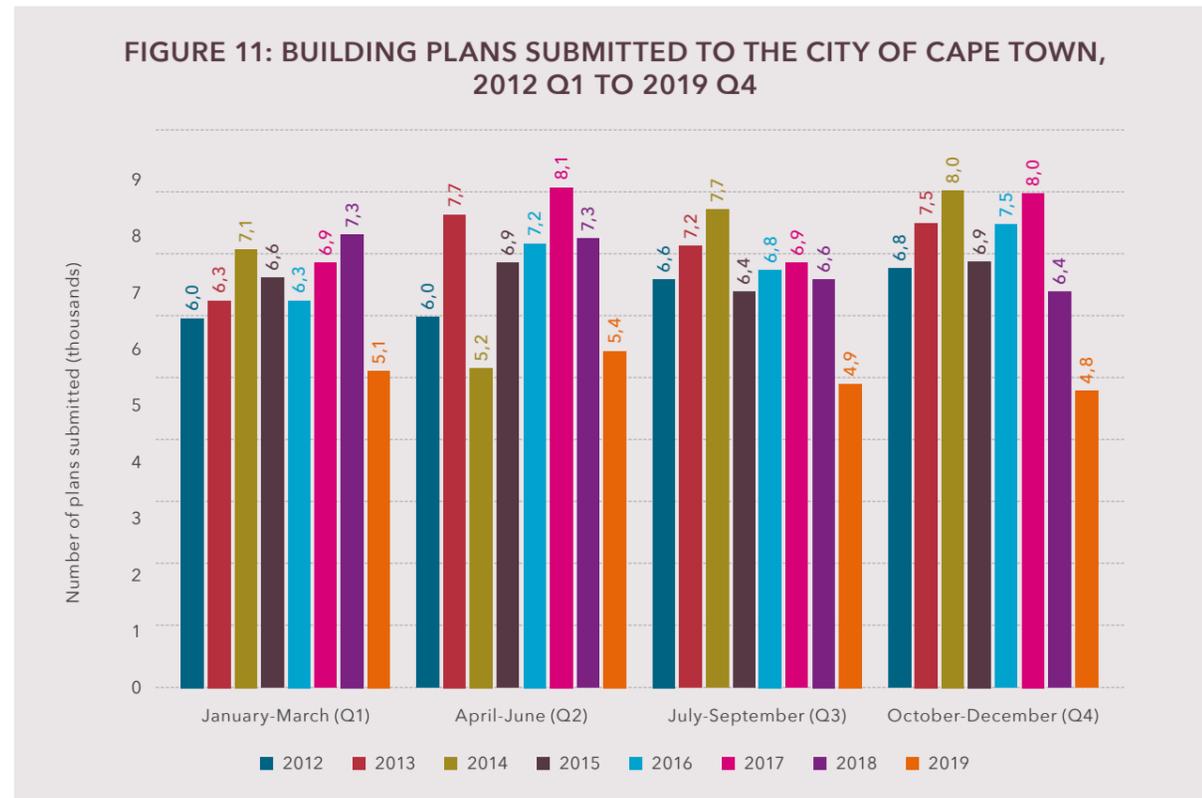
ADDITIONAL INDICATORS

In addition to macroeconomic indicators, administrative data reveal specific consumer trends and provide strong indications of the performance of the local economy. In particular, building plan statistics and property development are key indicators of the levels of confidence in the economy, while passenger vehicle sales mirror trends in the business cycle and are regarded as a leading indicator of GDP growth.

BUILDING DEVELOPMENTS

The economic growth data for the fourth quarter of 2019 highlights that national output in the construction industry declined by 5,9% quarter-on-quarter. This was the sector's sixth consecutive quarter of negative growth. On a year-on-year basis, the sector recorded its eleventh consecutive contraction (down 5,1%). Mirroring national trends, the Western Cape's construction industry contracted by 5,8% quarter-on-quarter and 5,1% year-on-year in the fourth quarter of 2019 (Quantec, 2020). The First National Bank (FNB)/BER Building Confidence Index¹⁰ remained subdued, increasing by only 3 points to 25 index points in the fourth quarter, following a two-decade low in the third quarter of 2019 (BER, 2019b). Although overall confidence improved only slightly, activity improved noticeably in the quarter. Four of the six sectors surveyed by BER reported higher confidence. However, this was offset by a 35-point drop in the confidence of building material manufacturers in the fourth quarter.

A total of 4 813 building plans were submitted to the City for approval in the fourth quarter of 2019, which is a decrease of 2,2% from the previous quarter. Figure 11 provides an annual comparison of the number of building plans submitted in each of the quarters over the past eight years, thereby controlling for seasonal volatility when analysing the long-term trends in the building and construction industry. Year-on-year building plan submissions decreased by 24,9% in the fourth quarter of 2019, which represents a continuation of the declining annual trend. This reflects the lack of confidence in the industry at present and mirrors the findings of the FNB/BER Civil Confidence Index¹¹ which, despite improving above 20 index points (up 7 points to 22) for the first time in two years, still reflects that the majority of respondents are dissatisfied with industry conditions (BER, 2019c).



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

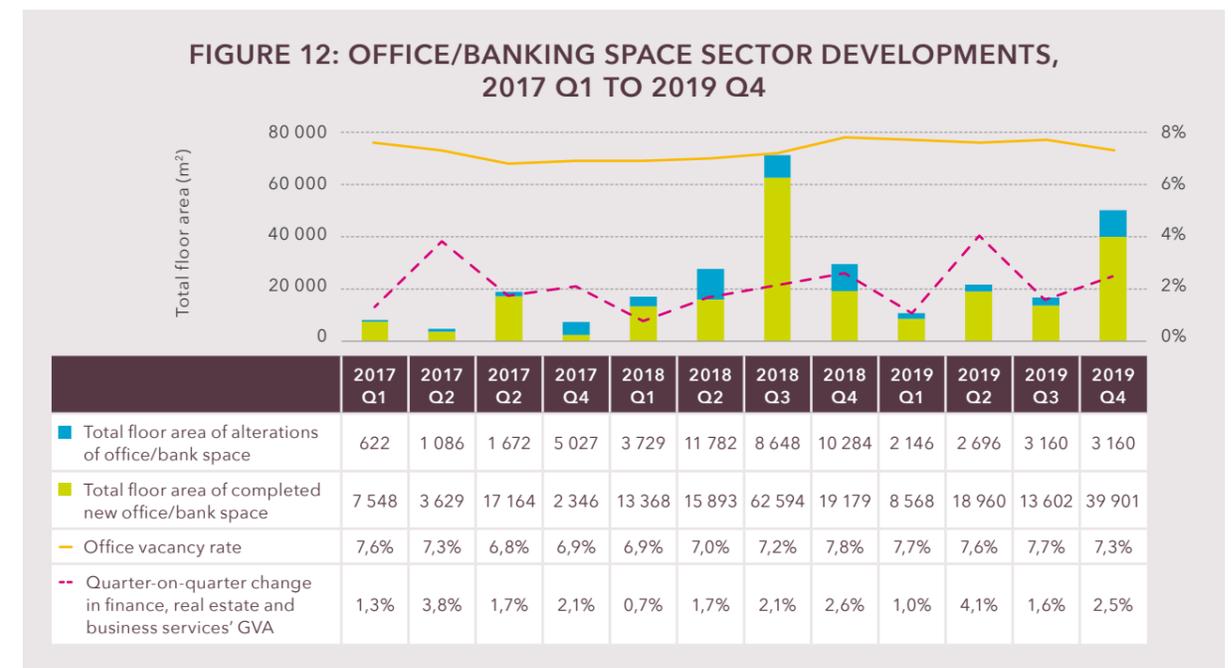
¹⁰ The FNB/BER Building Confidence Index captures the percentage of architects, quantity surveyors, and contractors and manufacturers of building material, who are satisfied with, or wary of, the prevailing business conditions.
¹¹ The FNB/BER Civil Confidence Index captures the business confidence of civil contractors. A recording of 10 means that 90% of the survey respondents are dissatisfied with the current business conditions in their sector.

COMMERCIAL PROPERTY DEVELOPMENTS

The performance of the commercial property market can be tracked in a number of ways. An indicative trend analysis is provided in figure 12 by means of a review of: the observed variation in the quarterly office vacancy rate; the total floor area of completed office buildings added to the office property stock; the total floor area of completed office building alterations; and the quarter-on-quarter percentage change in provincial GVA for the finance and business services sector. The finance, business and real estate services sector is the largest in Cape Town and, as such, property developments in this sector are a useful measure of economic activity.

In the fourth quarter of 2019, construction of 39 901 m² of new office or banking space was reported to have been completed in Cape Town, as well as 10 251 m² of office or banking space alterations. These completions and alterations figures were the highest for the 2019 year, with 80% of the new developments occurring in Bellville.

As figure 12 shows, Cape Town's office vacancy rate¹² decreased by 0,4 of a percentage point to 7,3% in the fourth quarter of 2019. This remains the lowest vacancy rate across the five largest metropolitan municipalities (South African Property Owners Association [SAPOA], 2019). The office vacancy rate is highest in the Cape Town CBD area (10,8%) and lowest in the Rondebosch/Newlands node (1,9%).



Source: Planning and Building Development Management Department, CCT, March 2020; Quantec, March 2020; and SAPOA, 2020.

According to SAPOA (2016), a sustained improvement in the office vacancy rate (i.e. return to the natural vacancy rate¹³), depends on the long-term strength of key economic drivers, such as economic growth and business confidence. However, the increase in the GVA growth rate of the finance and business service sector in the fourth quarter of 2019 appears not to have had a

significant impact on the office vacancy rate during this period (improving by only 0,4 of a percentage point). This may be due to the lag typically experienced in the relationship between the demand for office space and economic or output growth. Alternatively, it may be due to increased availability of office space counterbalancing the increased demand for office space.

¹² The vacancy rate is the percentage of all available units in a rental property, such as a hotel or apartment complex, that are vacant or unoccupied at a particular time.
¹³ The natural vacancy rate is defined as the normal, average, or traditional percentage of rental properties in a community that are not leased or occupied.

NEW VEHICLE SALES

The local automotive industry showed a recovery in vehicle sales, which was mainly driven by a strong support for the passenger vehicles segment from the car rental industry (Raymond, 2019). Total vehicle market sales in the Western Cape increased from 13 632 in the third quarter of 2019 to 14 271 in the fourth quarter of 2019. On a year-on-year basis, vehicle sales increased by 1,3% (189 units) from the 14 082 vehicles sold in the same period of 2018. Passenger vehicle sales in the Western Cape, which reflects the private consumer segment of the market, increased from 8 673 in the third quarter of 2019 to 9 690 in the fourth quarter of 2019, with the year-on-year results also showing an increase of 5,0% (460 units) when compared to the 9 230 vehicles sold in the fourth quarter of 2018. At a national level, a year-on-year increase of 4,2% (3 820 units) was observed, where passenger vehicles sold increased from 90 846 units in the fourth quarter of 2018 to 94 666 units in the fourth quarter of 2019.

The automotive industry is a key economic indicator, not only for manufacturing in terms of investment and jobs, but also in interpreting consumer and business confidence. Consumer and business confidence remained low in the fourth quarter of 2019, echoing

the weak domestic demand. Furthermore, sentiments in four of the five sub-industries continued to deteriorate and consumer uncertainty dampened purchasing decisions (Reddy, 2020).

The continued pressure on disposable income, despite the fall in interest rates, inflation rates and fuel prices, has resulted in a shift in consumer buying patterns from new cars to used cars. However, the market for used cars is also under strain, as indicated by the slowdown in increases of used vehicle prices. This reiterates the persisting stagnant economic climate in South Africa (Reddy, 2020).

According to the National Association of Automobile Manufacturers of South Africa (NAAMSA: 2020), the downside risks for 2020 include the ongoing load-shedding crisis, which has significant impacts on the economy, as well as the continuing weak domestic economic growth outlook. However, consumers are also expected to enjoy low inflation rates, low price increases on cars, and compelling incentives from car dealers, including trade assistance and vehicle discounts, which could promote a measure of recovery in the industry (Reddy, 2020).



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ABBREVIATIONS

ANN:	African News Network
BER:	Bureau for Economic Research
CBD:	central business district
CPI:	consumer price index
CT:	Cape Town
EPIC:	Economic Performance Indicators for Cape Town
FNB:	First National Bank
GDP:	gross domestic product
GDP-R:	regional gross domestic product
GGP:	gross geographic product
GVA:	gross value added
MPC:	Monetary Policy Committee
NAAMSA:	National Association of Automobile Manufacturers of South Africa
PPI:	producer price index
SA:	South Africa
SAPOA:	South African Property Owners Association
SARB:	South African Reserve Bank
TEU:	twenty-foot equivalent unit
TNPA:	Transnet National Ports Authority

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