

# EPIC

ECONOMIC PERFORMANCE  
INDICATORS FOR CAPE TOWN

**2023 QUARTER 3**  
(JULY-SEPTEMBER)



CITY OF CAPE TOWN  
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An aerial photograph of Rio de Janeiro, Brazil, showing the city's dense urban landscape, the bay, and the surrounding mountains. A large, semi-transparent silhouette of a person's head is overlaid on the right side of the image, facing left. The text is centered over the image.

MAKING PROGRESS  
POSSIBLE.

TO  
GET  
TO  
GETHER.

# ACKNOWLEDGEMENTS

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The EPIC publication is a collaboration between the Economic Development and Investment and Policy and Strategy departments of the City of Cape Town. It presents an analysis of economic and related trends in Cape Town on a quarterly basis. This edition focuses on the third quarter of 2023, covering the period from 1 July to 30 September 2023.

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# FOREWORD

In July 2023, my team and I ignited the first in a scintillating series of roundtable discussions with industry leaders. We engaged with the trailblazers of the green economy, unveiling exciting developments in the metro and opportunities within the sector. These gatherings are more than just discussions; they are a stage where we passionately share our progress, connect with business visionaries, and navigate the needs and challenges of the industries.

Themed sessions followed, celebrating the prowess of women in business, exploring the allure of tourism, and diving into the depths of marine manufacturing. This is a testament to our purposeful pursuit of creating and expanding opportunities that solidify Cape Town's reputation as the city where jobs and investments flourish.

A shining example of our success is the acclaimed Business Retention and Expansion (BR&E) programme, an instrumental force propelling business growth. In 2023, the programme extended its reach to Stikland and Epping, amplifying its impact and fostering a thriving environment for businesses. Collaborating with industrial partners and City Improvement Districts, the BR&E Unit forms action teams to address both localised and overarching business concerns, ensuring a transversal approach to economic sustainability.

Operating under the Investment Facilitation Branch umbrella, the BR&E Unit synergises efforts, championing the City's incentives programme, including the Atlantis Industrial region. Notably, businesses reaped savings exceeding R11 million in the first quarter of the 2023/24 financial year, following the waiver of building plan application fees and reduced electricity incentive tariffs. This mirrors the substantial R33,1 million savings achieved in the previous financial year, showcasing Cape Town's enduring appeal for investors despite challenges like load-shedding and global instabilities.

As we embark on 2024, let's channel renewed vigour to unlock even greater opportunities for the vibrant communities of Cape Town. My unwavering commitment remains: to find innovative ways to boost business confidence, secure investments, and pave the way for job creation across the city.



**ALDERMAN JAMES VOS**  
*Mayoral Committee Member  
for Economic Growth*

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# INTRODUCTION

In this 42<sup>nd</sup> edition of the EPIC publication, we again present statistics for, and analyses of, Cape Town's key economic trends. This edition focuses on the latest quarterly developments, covering the period 1 July to 30 September 2023.

The GDP in the Western Cape, a proxy for GDP in Cape Town, experienced a non-annualised quarterly contraction (quarter-on-quarter) of 0,4% in the third quarter of 2023, revealing a vacillating growth pattern over time. Western Cape year-on-year growth for the quarter was also negative, contracting by 0,8%. The taxi strikes in August and the severe flooding in September undoubtedly dampened growth, while business and consumer confidence also remained low. A weaker exchange rate, high interest rates, and inflationary pressures also contributed to lower demand. Although the frequency of load-shedding improved in the third quarter, with the City's supply of electricity to small and large power users increasing on a quarterly basis, manufacturing output and employment still declined, with the sector yet to recover to pre-Covid-19 levels.

The sectors that detracted most from Western Cape growth in the third quarter were agriculture and manufacturing. The impact of the decline in agriculture, partially due to the September floods, is likely to be muted at the city level as this sector makes up a small proportion of Cape Town's GDP. The sectors that contributed the most to positive growth include community and social services as well as transport and communication. These two sectors were among the five that experienced positive quarterly growth in the Western Cape. Together with agriculture, finance and business services, and general government, these sectors have recovered above pre-Covid-19 levels of output for three or more consecutive quarters, maintaining a positive growth trajectory. The BER's national GDP growth forecast for 2023 (published in December) is now at 0,6%, down from the IMF's October forecast of 0,9%.

Since the Quarterly Labour Force Survey (QLFS) recorded the highest levels of employment in Cape Town to date (1,76 million people) in the second quarter of 2023, there has been a cooling-off of the rapid 'recovery growth' previously seen in the labour market. After five consecutive quarters of positive employment growth for the city, which included notable improvements in all the city's labour market indicators, quarter 3 saw a slight dip in employment to 1,74 million people. Unemployment rates also

increased to a higher broad unemployment rate of 25,7% from 24,3% in the previous quarter. Increases in employment were seen mainly in the community, social and other personal services sector, followed by finance, business services, and real estate.

The Netball World Cup, hosted in Cape Town in August, would have contributed to a boost in tourism over the low season. Trade, hotels and restaurants as well as downstream tourism sectors such as community, social and other personal services are also expected to perform well in the fourth quarter, with the peak tourism season seeing international seat capacity increasing by 25% (over 1 million inbound seats) into Cape Town International Airport.

The CPI moved below the upper end of the inflation target range (6%) at the end of the second quarter of 2023 after hovering above 6% for 13 months, and remained within the target range during the third quarter. Local food price inflation remains above the target range, despite global food prices falling. The high food price inflation is mainly due to the impact of the weaker exchange rate, the avian flu outbreak, and load-shedding mitigation costs, rather than international food prices. Despite the weaker exchange rate, there was an uptick in the import of food products.

Under the weight of national transport disruptions in trucking along the N3 in July, as well as the week-long taxi strike in the Western Cape in August, and severe flooding in the region in September, it is not surprising that GDP faltered in quarter 3. The easing in the intensity of load-shedding as well as an uptick in tourism arrivals bode well for a recovery into positive growth territory in quarter 4.

The release of the first phase of the national Census data in October, with the revelation that Cape Town is on the cusp of 5 million residents, will allow the City to better plan for the future. With a growing population comes increased opportunities and a greater demand for goods and services, but also various urbanisation challenges. The City will need to incorporate the new Census data into its planning cycles for service delivery while limiting negative externalities to continue building its reputation as a destination of choice among South Africans.

**JODIE POSEN**

*Senior Economist: Economic Analysis*

# KEY FINDINGS FOR THE THIRD QUARTER OF 2023



In the third quarter of 2023, the **Western Cape economy** contracted by 0,4% quarter-on-quarter (non-annualised), mirroring the national trend (-0,2%). The highest sectoral growth rate was recorded in the community, social and personal services sector, while the largest contraction was recorded in the agriculture sector.



The Western Cape recorded an **inflation rate** of 5,9% at the end of the third quarter, an increase from the 5,6% at the end of the previous quarter. The national inflation rate at the end of the third quarter was slightly lower at 5,4%.



The **number of people employed in Cape Town** decreased by 15 637 on a quarter-on-quarter basis to a total of 1,74 million in the third quarter of 2023. Compared to the previous quarter, the main [positive] contributors to employment during the period were the community, social and personal services sector (+21 724), while the trade and hospitality sector recorded the highest quarterly decline in employment (-22 833).



Cape Town's **top five tourist attractions** recorded a total of 763 159 visitor numbers in the third quarter of 2023. This represents a year-on-year improvement of 44%.



Accommodation establishments in Cape Town recorded an **average occupancy rate** of 61% in the third quarter. The domestic tourism market remains a dominant source of business for the sector.



Cape Town International Airport recorded 2,32 million **air passenger movements** in the third quarter of 2023. Despite representing a year-on-year improvement, this is still 12% lower than the same period in 2019.



Exports were mainly led by refined petroleum, as well as citrus fruit. On a year-on-year basis, third-quarter exports recorded an increase of 22,7% from the levels in the third-quarter of 2022. On a quarter-on-quarter basis, Cape Town's [international] trade recorded an **increase in exports**, while imports decreased in the third quarter.

# 01

## OVERVIEW



# CAPE TOWN OVERVIEW

## 2023: QUARTER 3

### GROSS DOMESTIC PRODUCT (GDP)



The **Western Cape** accounted for **R656 billion<sup>a</sup>** of the **R4,6 trillion gross domestic product (GDP) generated by South Africa** in the third quarter of 2023. While GDP data are not available at a city level on a quarterly basis, Cape Town typically contributes around 73% of the provincial GDP annually.<sup>b</sup>

### GDP GROWTH RATE



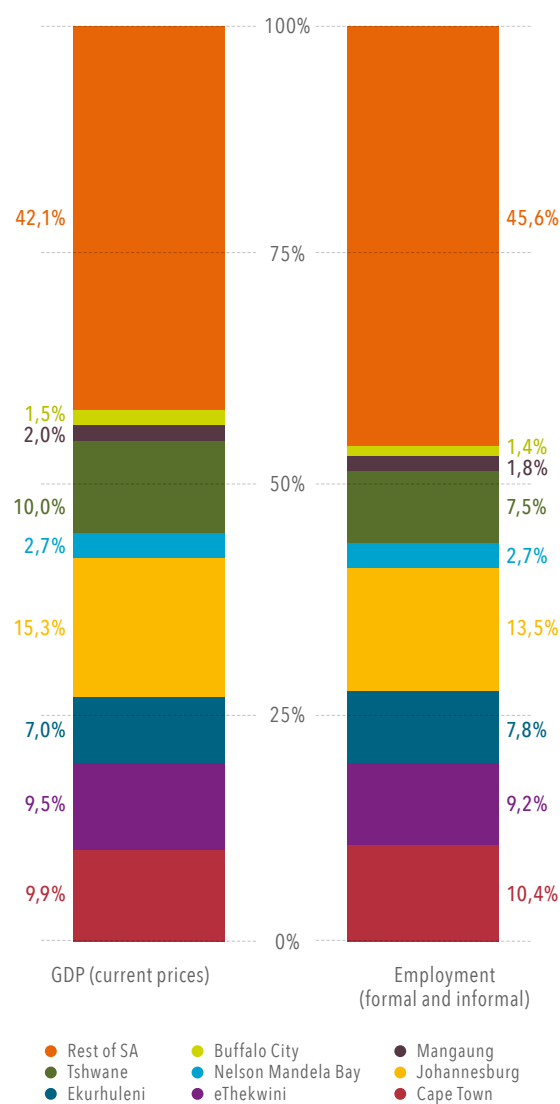
During the third quarter of 2023, the **Western Cape GDP** recorded a **contraction of 0,4%**. This was in line with the national GDP contraction of 0,2%.<sup>c</sup>

### GDP PER CAPITA



In 2022, **South Africa had a GDP per capita of R108 466**, while the **Western Cape's GDP per capita was R130 875** and **Cape Town's was R145 985.<sup>d</sup>**

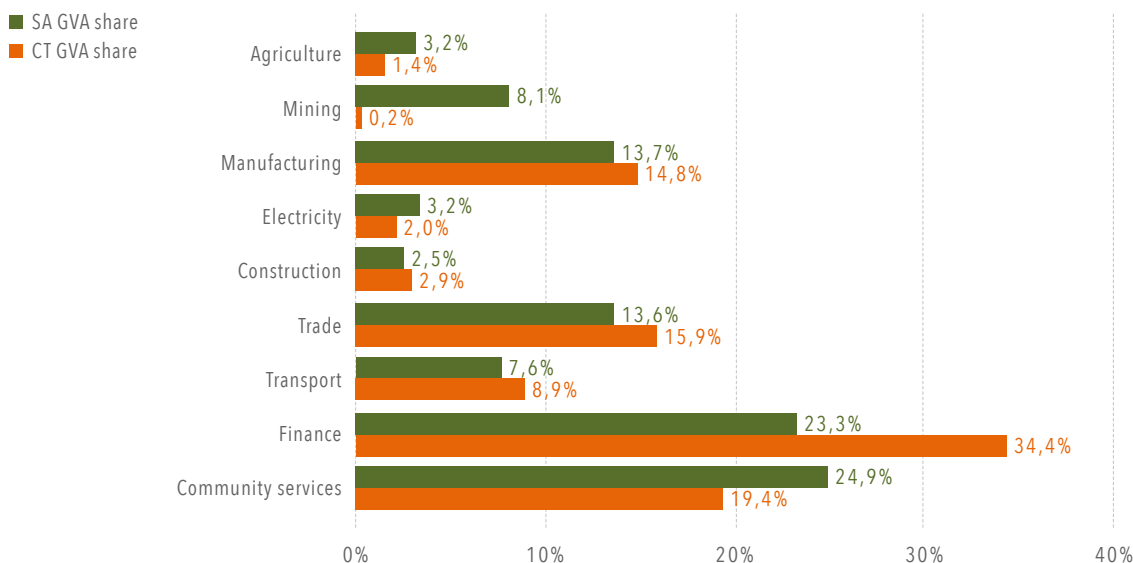
### METRO CITIES' GROSS GEOGRAPHIC PRODUCT AND EMPLOYMENT CONTRIBUTIONS TO SOUTH AFRICA, 2022<sup>e</sup>



a, c. At constant 2015 prices, seasonally adjusted and non-annualised. Source: Quantec, 2023; Statistics South Africa, 2023.  
b, i. Source: South Africa Regional eXplorer, 2023.  
d, e, f. At current prices. Source: South Africa Regional eXplorer, 2023.

g. Source: Statistics South Africa, 2023.  
h. Source: City of Cape Town, 2023a.  
j. Source: Wesgro, 2023.  
k. Source: ACSA, 2023.

## CAPE TOWN GROSS VALUE ADDED (GVA) VERSUS NATIONAL GVA, 2022<sup>f</sup>



## INFLATION



5,9%

At the end of the third quarter of 2023, **South Africa** had an **inflation rate of 5,4%**. The **Western Cape's inflation rate** for the same period was **5,9%**.<sup>g</sup>

## POPULATION



4 756 255

**South Africa** has a population of **60 604 992**. A total of **7 212 142** people (11,9% of the national population) live in the **Western Cape**. Of those, **4 756 255** are residents of **Cape Town**.<sup>h</sup>

## GINI COEFFICIENT



0,59

In 2022, **South Africa** had a Gini coefficient of **0,61**, while **Cape Town** had a slightly lower value of **0,59**.<sup>i</sup>

## AIR PASSENGERS



2 317 763

During the third quarter of 2023, **Cape Town International Airport** welcomed **2 317 763 passengers**,<sup>k</sup> with tourists and residents making **763 159 visits to Cape Town's five major attractions**.<sup>l</sup>

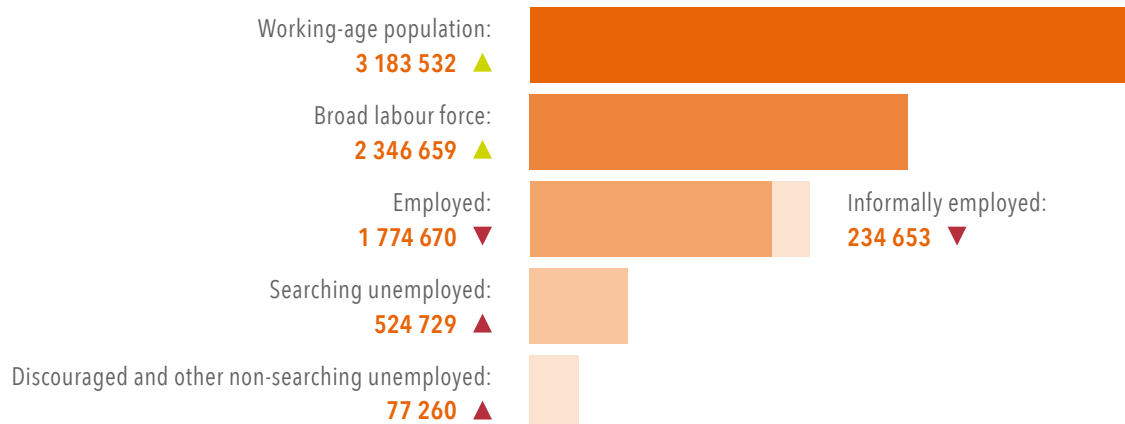
# LABOUR OVERVIEW

## 2023: QUARTER 3

### LABOUR MARKET INDICATORS, 2023 Q3 (QUARTER-ON-QUARTER CHANGES)<sup>l</sup>

△ Increase  
▽ Decrease

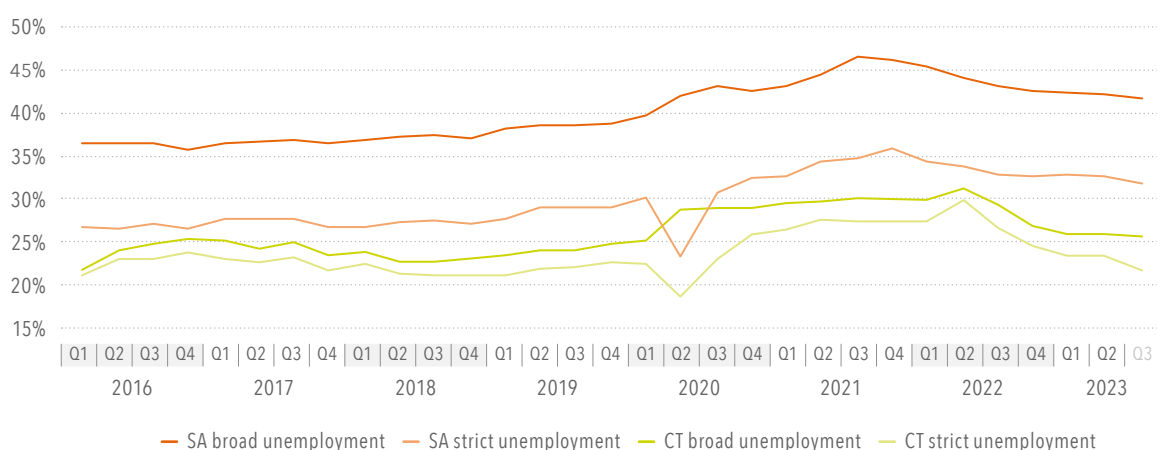
Improvement  
Deterioration



Labour force participation rate (strict) = 71,3%

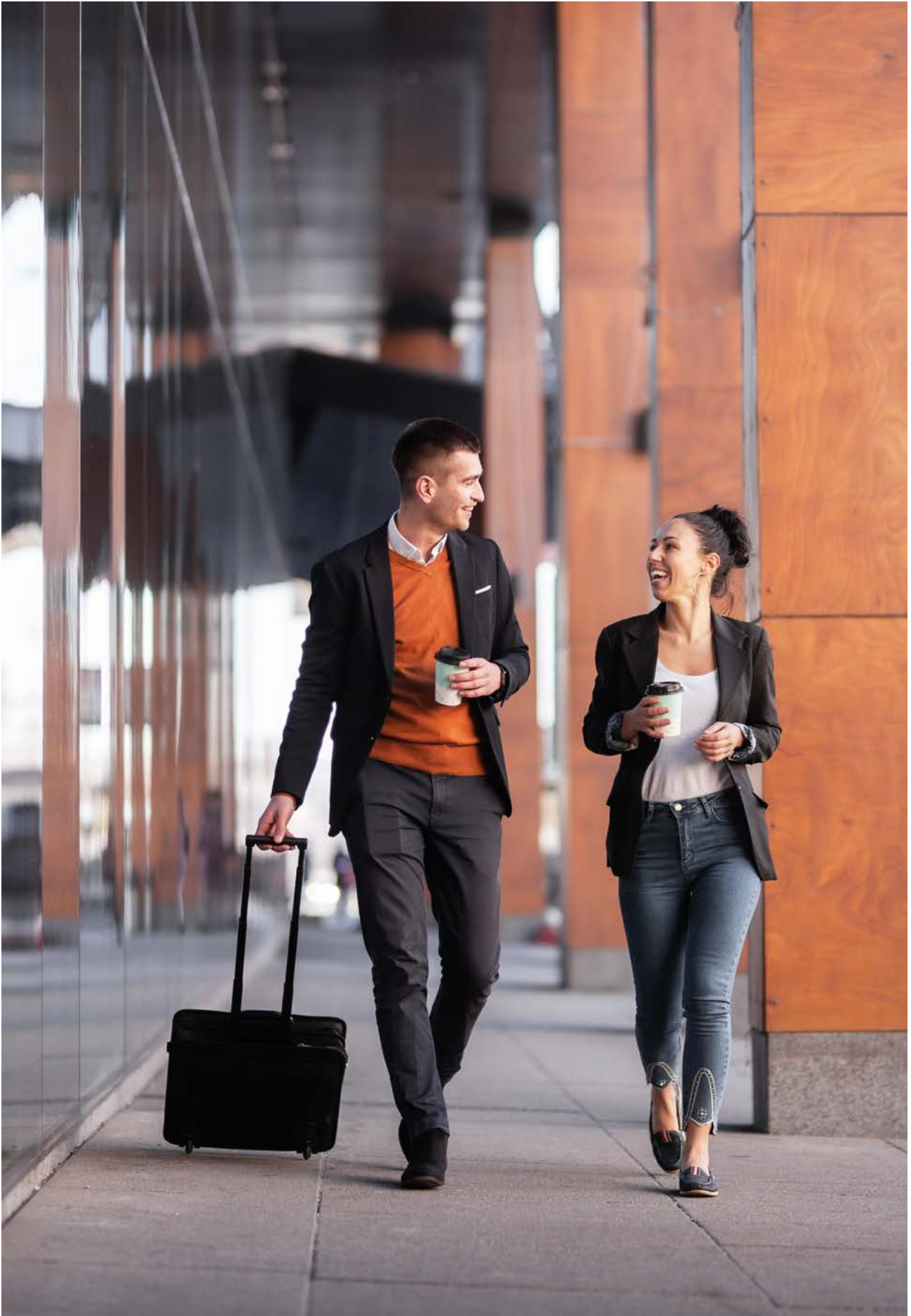
Absorption rate = 54,8%

### STRICT VERSUS BROAD UNEMPLOYMENT<sup>m</sup> RATES FOR SOUTH AFRICA AND CAPE TOWN, 2016 Q1 TO 2023 Q3<sup>n</sup>



<sup>l, n.</sup> Source: Statistics South Africa, Quarterly Labour Force Survey, 2023 Quarter 3, November 2023.

<sup>m.</sup> The 'strict' definition of unemployment includes only people who are actively seeking work. The 'broad' definition of unemployment includes those under the 'strict' definition as well as 'discouraged' and other 'non-searching' job seekers.



# 02 ECONOMIC GROWTH

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



# SOUTH AFRICA'S QUARTER-ON-QUARTER ECONOMIC PERFORMANCE

Following subdued, albeit positive, growth in the previous quarter (0,5% growth, which was revised downward by 0,1 of a percentage point), the South African economy recorded a contraction of 0,2% in the third quarter of 2023 on a quarter-on-quarter (non-annualised, as per the change in Stats SA's reporting conventions).<sup>1</sup> While the Bureau for Economic Research (BER) anticipated a slowdown in momentum, it noted that the contraction was worse than expected and compared poorly to the consensus forecast (BER, 2023a).

At the national level, five sectors recorded contractions and five sectors recorded growth in the third quarter of 2023, with the extent of the contractions outweighing the growth. The largest sectoral contraction was recorded in the agriculture sector, which declined by 9,6% and also subtracted the most from the total national growth rate, by 0,3 of a percentage point. This was followed by the construction sector, which recorded its second consecutive contraction (-2,8%), and subtracted 0,1 of a percentage point from the total national growth rate. Further contractions were recorded in the manufacturing and mining sectors, with -1,3% and -1,1%, respectively, which subtracted a combined 0,2 of a percentage point from the total national growth rate. The trade and hospitality sector also recorded its second consecutive contraction (-0,2%), however, this had a minimal impact (-0,02 of a percentage point) on the total national growth rate.

For the third quarter of 2023, five sectors recorded quarter-on-quarter growth. The transport and communication sector experienced the largest quarter-on-quarter growth (0,9%), followed by the community and social services (0,6%) and finance and business services (0,5%) sectors, each adding 0,1 of a percentage point to the total national growth rate. The electricity and water, as well as general government sectors recorded

quarter-on-quarter growth of 0,2% and 0,1% respectively, but added only 0,01 of a percentage point to the total national growth in the period under review.

There are several additional indicators that point to the current challenging economic climate and the economy's strained path of recovery. The RMB/BER Business Confidence Index remains low at 33 index points in the third quarter of 2023. According to RMB (BER, 2023b), despite an improvement of 5 index points since the previous quarter, the sentiment indicates that two-thirds of the respondents are dissatisfied with the prevailing business conditions. Business activity remains constrained due to higher interest rates and constrained consumer disposable income.

Similarly, the FNB/BER Consumer Confidence Index remains significantly low. After recording -25 index points in the second quarter of 2023, the index rebounded to -16 index points in the third quarter of 2023. According to FNB, this demonstrates consumers' low willingness to spend. Interestingly, the findings note that consumers remain more concerned about the national economy's outlook compared to their household finances (BER, 2023c).

The Absa Purchasing Managers' Index (PMI) survey is an indicator of manufacturing activity, focusing on components like business activity, new sales orders, supplier performance, prices and employment, as well as business sentiment. After recording 47,6 index points at the end of the previous quarter, the Absa PMI declined slightly in July to 47,3 index points, thereafter improving to 49,7 index points in August, before declining again to 45,4 index points in September 2023. Load-shedding remains a notable negative contributor, as does domestic demand and restrictive borrowing costs (BER, 2023d).

1. Statistics South Africa (Stats SA) announced that "it will no longer use the annualised rate as the headline rate of change". This was first implemented in its GDP release for the second quarter of 2021 (Statistics South Africa, 2021).

# A GLOBAL COMPARISON OF ECONOMIC PERFORMANCE

Despite a multitude of setbacks throughout 2022 (IMF, 2022), global recovery has begun to moderate. This is according to the latest [October] World Economic Outlook (WEO) (IMF, 2023). The IMF has left its global growth forecast for 2023 unchanged at 3%, while revising its forecast for 2024 downward by 0,1 of a percentage point to 2,9%. According to the IMF, despite progress in reducing headline inflation, and other signs of economic resilience during the year, global economic activity remains lower than pre-pandemic projections.

The IMF's growth estimate for advanced economies – which recorded growth of 2,6% in 2022 – has remained unchanged

at 1,5% for 2023, and 1,4% for 2024. Following growth of 4,1% in 2022, the 2023 growth forecast for emerging and developing economies remains unchanged at 4%, while the expectation for 2024 growth was revised downwards (by 0,1 of a percentage point) to 4%. Alongside South Africa's annual growth of 1,9% noted for 2022, the latest forecast includes a further upward revision by 0,6 of a percentage point, with an expectation of growth of 0,9% for 2023. A bounce-back is still expected in 2024, with an expected growth rate of 1,8% (revised upward by 0,1 of a percentage point on the previous forecast). This forecast was, however, finalised before the third quarter's data release. At the national level, the year-to-date<sup>2</sup> growth is calculated at 0,4%.



2. This year-to-date growth rate compares against the first three quarters of 2023.



# WESTERN CAPE AND CAPE TOWN ECONOMIC PERFORMANCE

The Western Cape economy accounts for 14% of South Africa's total gross domestic product (GDP). In line with the national economy's performance (-0,2%), the Western Cape economy recorded a [non-annualised] contraction of 0,4%, quarter-on-quarter for the third quarter of 2023. This is a decline of 0,8 of a percentage point from the previous quarter's [positive] growth.

The year-on-year data<sup>3</sup> for the Western Cape indicate a similar performance to that of the country as a whole. Following an improvement in the previous quarter [to above 1%], the year-on-year performance at both national and provincial levels deteriorated in the third quarter of 2023. South Africa recorded a year-on-year contraction of 0,5%, while the Western Cape economy contracted by 0,8% in the quarter under review.

**FIGURE 1: REAL GGP GROWTH FOR THE WESTERN CAPE, 2013 Q1 TO 2023 Q3**



Source: Quantec, 2023.

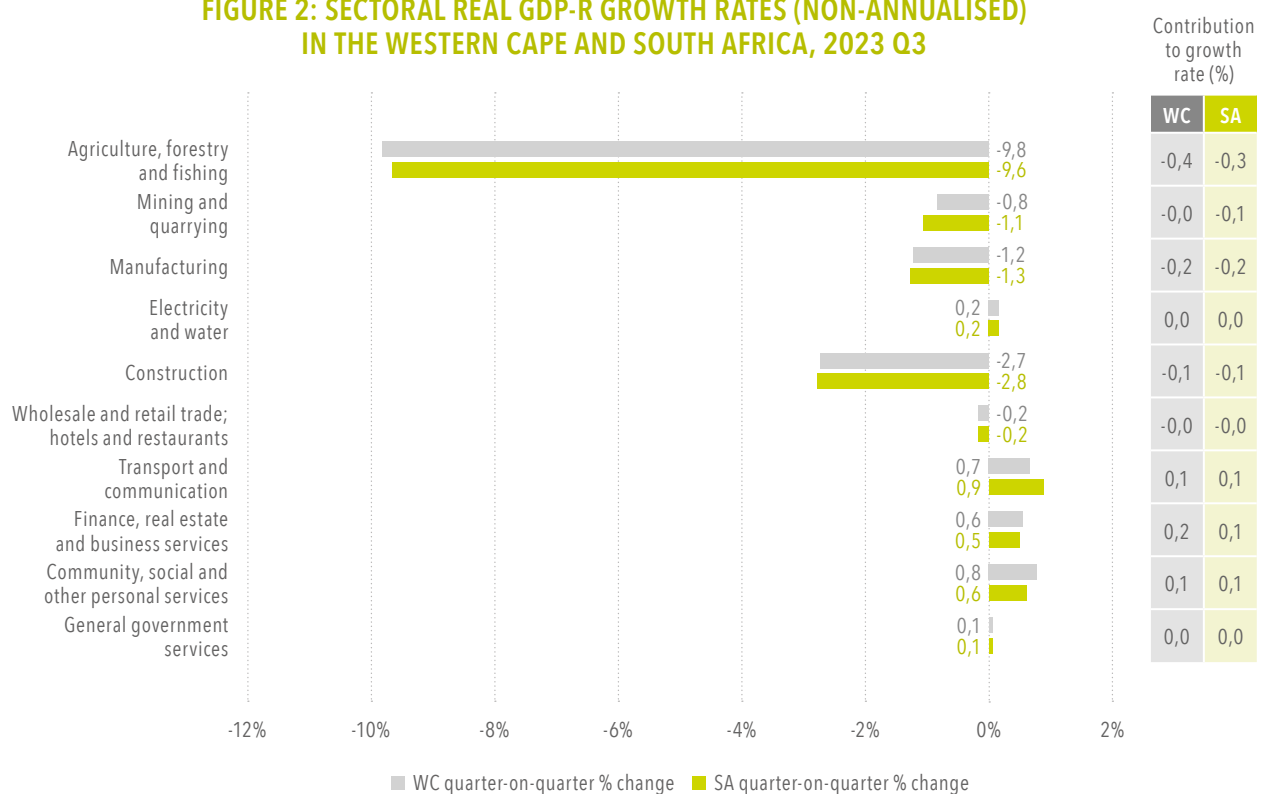
In the third quarter of 2023, the Western Cape's GDP performance largely mirrored that of the national economy, with similar sectoral trends. As was the case at a national scale, the agriculture sector recorded the largest sectoral contraction, of 9,8% quarter-on-quarter, and also subtracted the most from the total provincial growth rate, by 0,4 of a percentage point. The construction sector recorded a contraction of 2,7%, followed by the manufacturing sector (-1,2%), which subtracted 0,1 and 0,2 of a percentage point, respectively, from the total provincial growth rate. The mining sector contracted by 0,8%; however, due to its small share of the provincial economy (0,1%), it had a minimal negative impact (-0,001 of a percentage point) on the total provincial growth rate. The third quarter of 2023 also saw the province's trade and hospitality sector recording its second consecutive contraction, with a decline of 0,2% quarter-on-

quarter, subtracting 0,02 of a percentage point from the total provincial growth rate.

At the provincial level, five sectors also recorded growth during the third quarter of 2023. The community and social services sector recorded the largest [positive] growth rate, with 0,8% quarter-on-quarter, followed by the transport and communication sector with 0,7% quarter-on-quarter growth, each adding 0,1 of a percentage point to the total provincial growth rate. The finance and business services sector grew by 0,6% quarter-on-quarter, and added the most to the total provincial growth rate, with 0,2 of a percentage point. Further quarter-on-quarter growth was also recorded in the electricity and water (0,2%) and general government (0,1%) sectors, which added a combined 0,01 of a percentage point to the total provincial growth rate in the third quarter.

3. Year-on-year GDP growth is annualised.

**FIGURE 2: SECTORAL REAL GDP-R GROWTH RATES (NON-ANNUALISED)  
IN THE WESTERN CAPE AND SOUTH AFRICA, 2023 Q3**

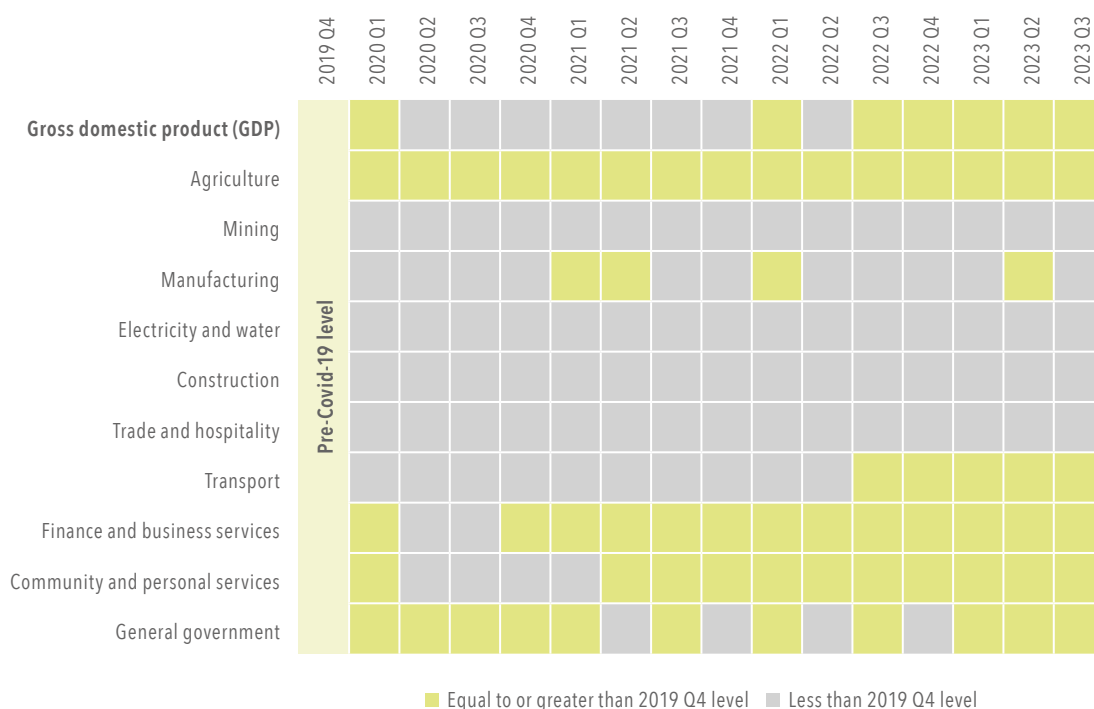


Source: Quantec, 2023.

While the Western Cape's total GDP has remained above pre-Covid-19 levels since the third quarter of 2022, it is also useful to compare economic activity at the sectoral level to pre-Covid-19 levels to monitor economic recovery. Table 1 illustrates that, by the third quarter of 2023, economic activity in five sectors remained higher than their respective levels in the fourth quarter of 2019. These include: agriculture; finance and business services; community and personal services; transport and communication; and general government.

Of the five sectors that recorded lower economic activity levels in the third quarter of 2023, when compared to their respective pre-Covid-19 levels, manufacturing is the only sector that recorded some instances of activity above its pre-Covid-19 levels. This may, in part, be attributed to local efforts to improve local manufacturing capabilities and output amid load-shedding and supply chain constraints. Construction, transport and communication, electricity and water, and mining have all been unable to surpass their respective pre-Covid-19 output levels.

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



Source: Own calculations based on Quantec data, 2023.

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

In contrast to its high contribution to the tertiary sector output of the Western Cape, Cape Town's contribution to the province's total primary sector GGP is only 18% (South Africa Regional eXplorer, 2023). This means it is difficult to make inferences about the performance of the city's primary sector based on primary sector GGP performance 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 third quarter of 2023 would have been primarily driven by the performance of the finance and business services; community

services; and trade and hospitality sectors, which in 2022 comprised 38%, 17% and 14% of the city's economy, respectively. The positive performances of the former two of these sectors may have had a greater impact on Cape Town's economy. Compared to 33 index points recorded in the RMB/BER Business Confidence Index for South Africa, the composite index was slightly higher for the Western Cape, with 35 index points. In the last 10 years, the variation of the city's GDP growth rate from the provincial growth rate<sup>4</sup> has been, on average, 0,1 of a percentage point. If this were to hold true for the third quarter of 2023, a plausible range for Cape Town's non-annualised and seasonally adjusted quarter-on-quarter economic growth in the third quarter is between -0,3% and -0,5%.

4. Based on the median of the differences over the 10-year period.

# 03 INFLATION

Price fluctuations of goods and services in an economy are measured by the consumer price index (CPI) inflation rate and producer price index (PPI) inflation rate. The CPI measures the change in the cost of living for households, and the PPI measures the change in the cost of production.



# INFLATION OVERVIEW

In the last month of the third quarter of 2023, the CPI<sup>5</sup> remained the same at 5,4% compared to the end of the second quarter of 2023. As illustrated in figure 3, the CPI decreased from 5,4% in June to 4,7% in July. The notable decline was followed by an increase in August to 4,8% and further to 5,4% in September. The CPI moved below the upper end of the inflation target range (6%) at the end of the second quarter of 2023 after hovering above 6% for 13 months. This drop is largely attributed to the continuous increases in the repurchasing rate [repo rate] since November 2021 by the South African Reserve Bank [SARB]. Encouragingly, the CPI remained within the target range for the entire third quarter of 2023. The increase in the latter part of the quarter is mainly attributed to the upward pressure from: food and non-alcoholic beverages; housing and utilities; transport; and miscellaneous goods and services, as reported by Statistics South Africa.

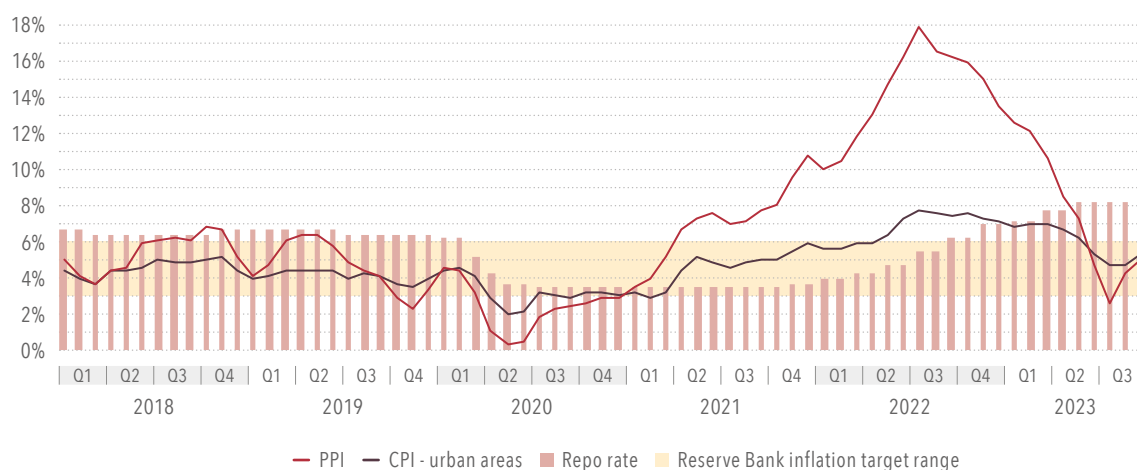
For the third quarter of 2023, the PPI<sup>6</sup> recorded a strong decrease to an average of 4,0%, after averaging 6,9% in the previous quarter. This is the first average PPI rate that has been recorded below the inflation target range since the first quarter of 2021 (4,2%). The index read 2,7% in July (decreasing from 4,8% in June), before increasing to 4,3% in August and further to 5,1% in September 2023. Similar to the CPI, since dropping below the upper end of the inflation target in June, PPI remained within the target range for the entire third quarter, albeit increasing in the last two months of the quarter. The main inflationary contributors to the PPI in September (in terms of final manufactured products) were the prices of: food products, beverages and tobacco products;

metals, machinery, equipment and computing equipment; transport equipment; and paper and printed products.

The gap between the CPI and the PPI had increased significantly since the fourth quarter of 2020, reaching a peak in the third quarter of 2022 with an average of 9,3 percentage points. As a price leader, a notably higher PPI is a signal for the CPI, as increases in production costs often get passed on to consumers. Since that peak, the gap has decreased, recording a marginal average difference of 0,9 percentage points for the third quarter of 2023.

Figure 3 illustrates changes in the CPI, PPI, and repo rate. As indicated in the graph, the repo rate remained unchanged throughout the third quarter of 2023 at 8,25%. It would seem that the aggressive approach of continuously increasing the repo rate as a way of addressing rising headline inflation has had its desired effect, as the CPI and PPI recorded strong declines at the end of the previous quarter and remained within the 3–6% target range for the third quarter of 2023. According to the MPC statement of September 2023 (SARB), key reasons for the most recent decision to keep the repo rate unchanged were the strong drop in the CPI in June 2023 to within the target range, as well as the downward revision in inflation forecasts from the SARB, which projected core inflation to be 4,9% in 2023 from a previous 5,2% and 4,7% in 2024 from a previous 4,9%. The MPC also noted that, despite prices of goods easing in parts of the world, core inflation remains high, and is thus preventing consumer price inflation from declining more sharply.

**FIGURE 3: CPI AND PPI TRENDS FOR SOUTH AFRICA, JANUARY 2018 TO SEPTEMBER 2023**



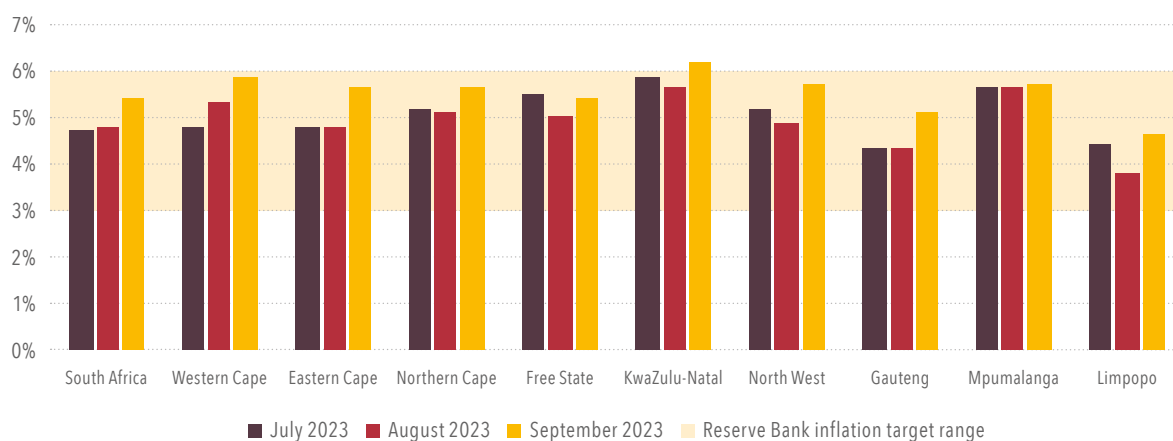
Source: CPI and PPI, extracted from Statistics South Africa, 2023; repo rate extracted from SARB, 2023.

# GEOGRAPHICAL INFLATION

The Western Cape recorded an inflation rate of 5,9% at the end of the third quarter (September) of 2023, which is higher than the 5,6% at the end of the previous quarter. The province also recorded a slightly higher inflation rate than the country throughout this quarter. Figure 4 illustrates inflation rates for the third quarter of 2023 across all nine provinces. Compared to the end of the second quarter of 2023, the majority of the provinces

recorded decreases by the end of the third quarter, while three provinces recorded increases. KwaZulu-Natal is the only province that moved above the upper end of the inflation target range and also recorded the highest average inflation rate (5,9%) for the quarter under review. It was followed by Mpumalanga (5,6%) and the Western Cape (5,3%). Limpopo recorded the lowest average inflation rate of 4,3% for the third quarter of 2023.

**FIGURE 4: CPI INFLATION RATE AT A PROVINCIAL LEVEL, JULY TO SEPTEMBER 2023**



Source: Statistics South Africa, November 2023.

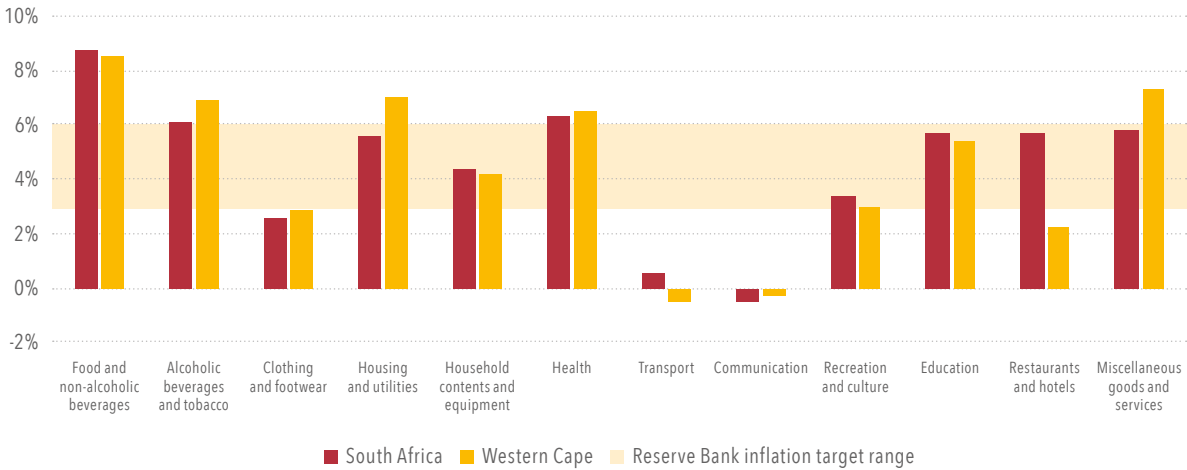


5. Headline CPI is recorded and reported on for urban areas.
6. According to Statistics South Africa (2021), the PPI from, and including, January 2021 has been reweighted. Noted, however, is that the reweighting will not affect the calculations of the basket.

As indicated in figure 5, one of the main upward drivers of the overall inflation recordings for both South Africa and the Western Cape in the third quarter of 2023 was food and non-alcoholic inflation, which recorded an average inflation rate of 8,7% for the country and 8,5% for the province. These recordings were, however, both lower than in the previous quarter. Price inflation for the categories of alcoholic beverages and tobacco and health recorded an average inflation rate above 6% for both the country and the province, adding to the upward pressure on their respective overall inflation levels. The province recorded an inflation rate of above 7% in the housing and utilities as well as miscellaneous goods and services price inflation categories, which is also higher than the national rate by more than one percentage point. The Western Cape recorded an average inflation rate of above 6% in five of the 12 broad categories, whereas the country only recorded above 6% in three categories, explaining the slightly higher inflation rate for the province.

For September 2023, transport price inflation was 4,2% at a national level and slightly higher at a provincial level (4,3%). It must be noted that transport price inflation recorded significant increases for both the country and province when compared to the start of the third quarter (-2,2% and -4,4% respectively). This was largely driven by [its sub-category of] private transport: fuel price inflation ('fuel'). Fuel price inflation increased considerably for both the country and province from -16,8% and -18,6% respectively in July to 1,4% and 1,9% respectively in September 2023. According to a media release from the Minister of Mineral Resources and Energy (2023), key factors adding upward pressure to the price of fuel, and notably Brent Crude, were the continuing tightening of supply as a result of production cuts by Saudi Arabia and Russia, as well as low global oil inventories. The weakening of the rand against the dollar added to the rise in the price of fuel.

**FIGURE 5: AVERAGE CONSUMER PRICE INFLATION FOR THE WESTERN CAPE AND SOUTH AFRICA, 2023 Q3**



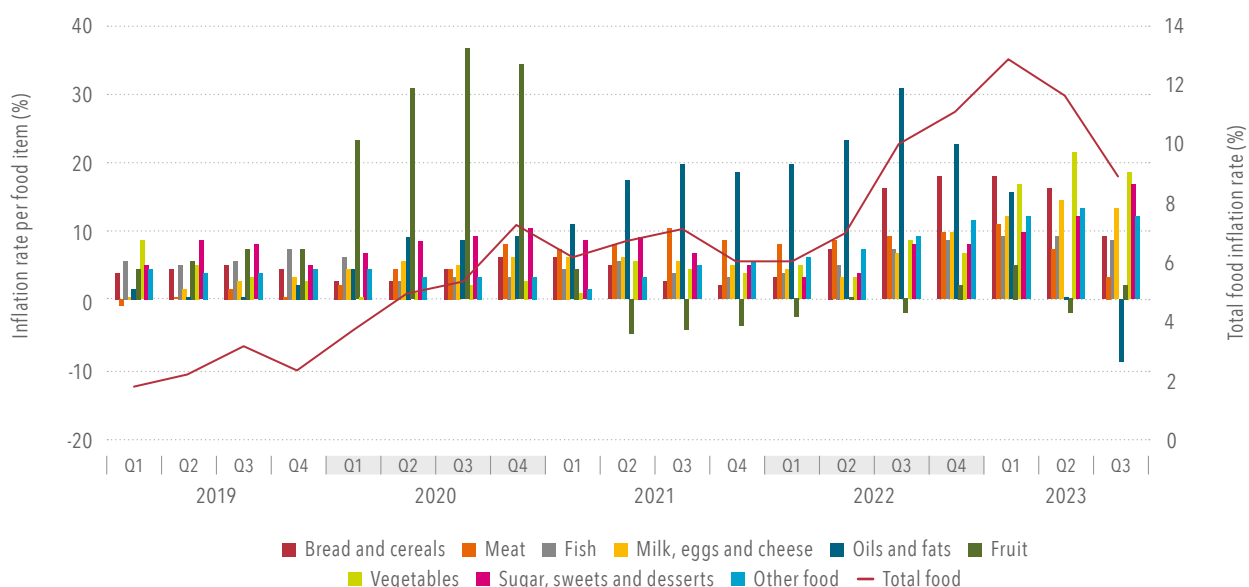
Source: Statistics South Africa, November 2023.

# WESTERN CAPE FOOD INFLATION

Tracking and monitoring food price changes have become increasingly important as household incomes continue to face pressure, threatening access to affordable food for many families. Figure 6 tracks food price inflation in the Western Cape, which has been displaying an upward trend since the beginning of 2020. It appears that food price inflation in South Africa has now finally caught up with the global trend of declining food prices experienced since March 2022. In the third quarter of 2023, average food price inflation declined to 8,6% when compared to the previous quarter of 11,6%.

For the third quarter of 2023, seven of the nine food items that are tracked recorded decreases when compared to the previous quarter. Oils and fats (-9%; down from 0,6%), bread and cereals (9,4%; down from 16,2%) as well as meat (3,6%; down from 7,4%) sub-categories saw strong decreases relative to their previous recordings in the second quarter. The food items that demonstrated the highest average inflation rates in the third quarter of 2023 were vegetables (18,4%; decreasing from 21,2%) and sugar, sweets and desserts (16,9%; increasing from 12%).

**FIGURE 6: WESTERN CAPE FOOD PRICE INFLATION, 2019 Q1 TO 2023 Q3**



Source: Statistics South Africa, November 2023.

According to the BFAP's statement for September 2023, a key factor influencing food prices in South Africa was the depreciation of the rand that offset much of the reduction in the global FAO<sup>8</sup> Food Price Index. Furthermore, domestic factors such as load-shedding continued to exert upward pressure on food price

inflation. Load-shedding impacts directly through additional costs in the chain and indirectly through its influence on the supply of irrigated commodities. Many of the individual indices such as dairy, meat, and cereal could not enjoy the advantages of global decreases due to the two factors mentioned above.

8. FOA stands for the Food and Agriculture Organization.

# 04

# LABOUR MARKET

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



# CAPE TOWN'S LABOUR MARKET PERFORMANCE

In the third quarter of 2023, Cape Town's working age population (3,18 million individuals) and the labour force (2,27 million individuals) increased when compared to the previous quarter, as well as when compared to the same quarter of 2022. After five consecutive quarters of positive employment growth, Cape Town's employment decreased by 15 637 individuals, from the second quarter, to record a total of 1,74 million individuals. It remains higher, by 205 448 individuals, when compared to the same period in 2022. This, unfortunately, led to marginal decreases in both the labour absorption (54,8% from 55,5%) and labour force participation (73,7% from 71,5%) rates when compared to the previous quarter. Both rates still showed higher levels when compared to the third quarter of 2022.

The number of discouraged work seekers increased on a quarter-on-quarter basis to record a total of 39 886 individuals at the end of the third quarter. On a year-on-year basis, the number of discouraged work seekers remains higher by 12 495 individuals. This is the highest recording to date for this category.

The decrease in employment, as well as the increase in the searching unemployed and the [net] non-searching categories, led to a higher broad unemployment rate of 25,7%, up from 24,3% in the second quarter of 2023. This rate is, however, lower by 3,8 percentage points when compared to the same quarter in 2022. At 25,7%, Cape Town's broad unemployment rate remained lower than any of the other metros in South Africa.

**TABLE 2: CAPE TOWN LABOUR MARKET INDICATORS, 2023 Q3 VERSUS 2023 Q2 AND 2022 Q3**

Metro	Recorded			Quarter-on-quarter change	Year-on-year change
	2023 Q3	2023 Q2	2022 Q3	(vs 2023 Q2)	(vs 2022 Q3)
Working-age population	3 183 533	3 171 071	3 133 301	12 462	50 232
Broad labour force	2 346 659	2 324 967	2 184 011	21 692	162 648
Strict labour force	2 269 399	2 267 993	2 103 454	1 406	165 946
Employed: Total	1 744 671	1 760 308	1 539 223	-15 637	205 448
Employed: Formal sector	1 385 602	1 399 200	1 301 511	-13 599	84 090
Employed: Informal sector	234 653	236 796	158 263	-2 143	76 391
Unemployed (strict)	524 729	507 685	564 231	17 044	-39 502
Not economically active	914 134	903 078	1 029 847	11 056	-115 713
Discouraged work seekers	39 886	21 928	27 391	17 958	12 495
Other not economically active	874 248	881 150	1 002 457	-6 903	-128 209

Source: Statistics South Africa, Quarterly Labour Force Survey, 2023 Quarter 3, November 2023.

# EMPLOYMENT COMPARISON OF METROS

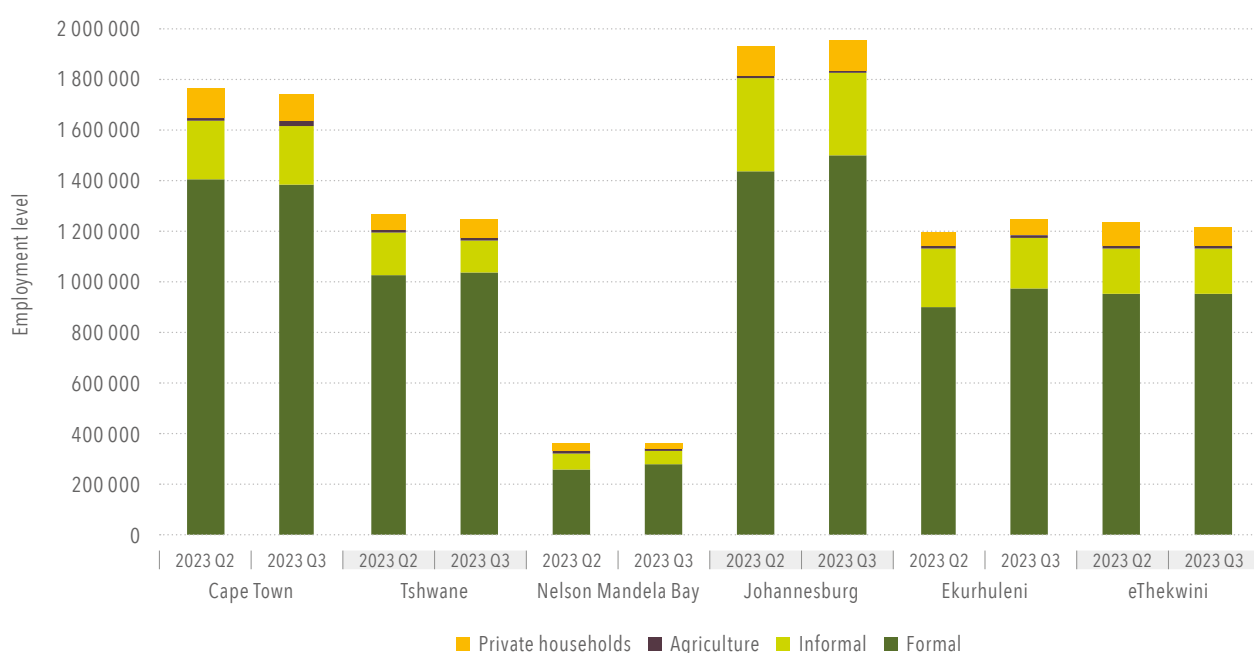
When measuring Cape Town's job-creation performance, a comparison with other metros<sup>8</sup> in the country is helpful. In the third quarter of 2023, Cape Town continued to have the second-highest number of employed people at 1,74 million individuals. This is second only to Johannesburg, where 1,94 million people were employed. This is to be expected, as Johannesburg has a significantly larger population than Cape Town.

As seen in figure 7, when compared to the previous quarter, three of the metros recorded positive employment growth, while three displayed negative employment growth. Ekurhuleni added the most to employment (up by 50 450 individuals), followed by Johannesburg (up by 20 993 individuals) and Nelson Mandela Bay (up by 2 440 individuals). Tshwane recorded the largest drop in employment (down by 25 689 individuals). This was followed by Cape Town (down by 15 637 individuals) and eThekweni (down by 11 438 individuals). It must be noted that Cape Town's employment levels exceeded pre-Covid-19 levels at a much quicker rate than the country and other metros, highlighting

the city's resilience. The Cape Town labour market indicators for the third quarter of 2023 suggest that the post-pandemic employment windfall has now slowed.

In Cape Town, formal employment decreased quarter-on-quarter (down by 13 599 individuals), however increased when compared to the third quarter of 2022 (up by 84 090 individuals) to record 1,38 million individuals for this quarter. This is the second consecutive quarter of negative quarter-on-quarter growth recorded for formal employment. Similarly, informal employment decreased on a quarter-on-quarter basis (down by 2 143 individuals) and increased year-on-year (up by 76 391 individuals), to record a total of 234 653 individuals at the end of the third quarter of 2023. Private households also recorded a quarter-on-quarter decrease (down by 6 849 individuals) while increasing on a year-on-year basis (up by 34 196 individuals). The agriculture sector increased on both a quarter-on-quarter (up by 6 954 individuals) and year-on-year (up by 10 772 individuals) basis during the quarter under review.

**FIGURE 7: EMPLOYMENT COMPARISON WITH OTHER METROS BY MAJOR SECTOR, 2023 Q3 VERSUS Q2**



Source: Statistics South Africa, Quarterly Labour Force Survey, 2023 Quarter 3, November 2023.

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

# UNEMPLOYMENT IN CAPE TOWN

The number of (searching) unemployed people in Cape Town increased on a quarter-on-quarter basis (up by 17 044 individuals) and decreased on a year-on-year basis (down by 39 502 individuals) to record a total of 524 729 individuals at the end of the third quarter of 2023. The decrease in employment and increase in unemployment resulted in a higher strict unemployment rate of 23,1% compared to the 22,4% of the second quarter of 2023. The strict unemployment rate was lower by 3,7 percentage points when compared to the third quarter of 2022 (26,8%).

The youth unemployment rate in Cape Town, defined as the strict unemployment rate for individuals aged 15 to 24, was estimated at 45% in the third quarter of 2023, decreasing notably from 50,7% in the previous quarter. The figure also represents a

decrease from the 51,2% in the third quarter of 2022. While this remains below the national youth unemployment rate of 58% recorded in the third quarter of 2023, it is nonetheless notably high by average developing-country standards and continues to pose a key challenge for economic policymakers in the City.

While comparisons of Cape Town's unemployment trends with those of the country as a whole are important, it is perhaps more relevant to compare these Cape Town trends to other metros that have similar labour market dynamics (see table 3). On a quarter-on-quarter basis, Cape Town had the lowest broad unemployment rate of 25,7% (up from 24,3% in 2023 Q2), while eThekweni had the lowest strict unemployment rate of 22,5% (up from 20,7% in 2023 Q2) when compared to all the other metros.

**TABLE 3: UNEMPLOYMENT RATE<sup>9</sup> COMPARISON OF METROS, 2023 Q3 VERSUS 2023 Q2 AND 2022 Q3**

Metro	Official (strict)			Expanded (broad)		
	2023 Q3	2023 Q2	2022 Q3	2023 Q3	2023 Q2	2022 Q3
Cape Town	23,1%	22,4%	26,8%	25,7%	24,3%	29,5%
eThekweni	22,5%	20,7%	21,8%	36,4%	35,2%	34,7%
Ekurhuleni	29,5%	32,3%	31,5%	39,3%	40,8%	39,5%
Johannesburg	32,6%	33,5%	33,5%	36,7%	36,7%	37,6%
Nelson Mandela Bay	32,0%	32,0%	33,6%	34,2%	33,7%	35,5%
Tshwane	34,9%	35,0%	34,2%	39,1%	38,3%	37,5%

Source: Statistics South Africa, Quarterly Labour Force Survey, 2023 Quarter 3, November 2023.

When compared to the second quarter of 2023, three of the metros experienced a decrease in their strict unemployment, while two recorded an increase and one (Nelson Mandela Bay) remained largely the same. In terms of broad unemployment rates, five metros experienced an increase in their broad unemployment rate and only one (Ekurhuleni) recorded a decrease when compared to the second quarter of 2023. Ekurhuleni recorded the largest decrease in both its strict (down by 2,81 percentage points) and broad (down by 1,55 percentage points) unemployment rates to record 29,5% and 39,3%, respectively. eThekweni recorded the largest increase in its strict

unemployment rate (up by 1,88 percentage points), whereas Cape Town recorded the largest increase in its broad unemployment rate, up by 1,37 percentage points.

Among the metros, Cape Town recorded the second-lowest difference between its two rates of unemployment (2,5 percentage points), while eThekweni recorded the largest difference of 13,8 percentage points. The extent of the difference between the two rates of unemployment can be attributed to the number of discouraged work seekers within each of the metros.

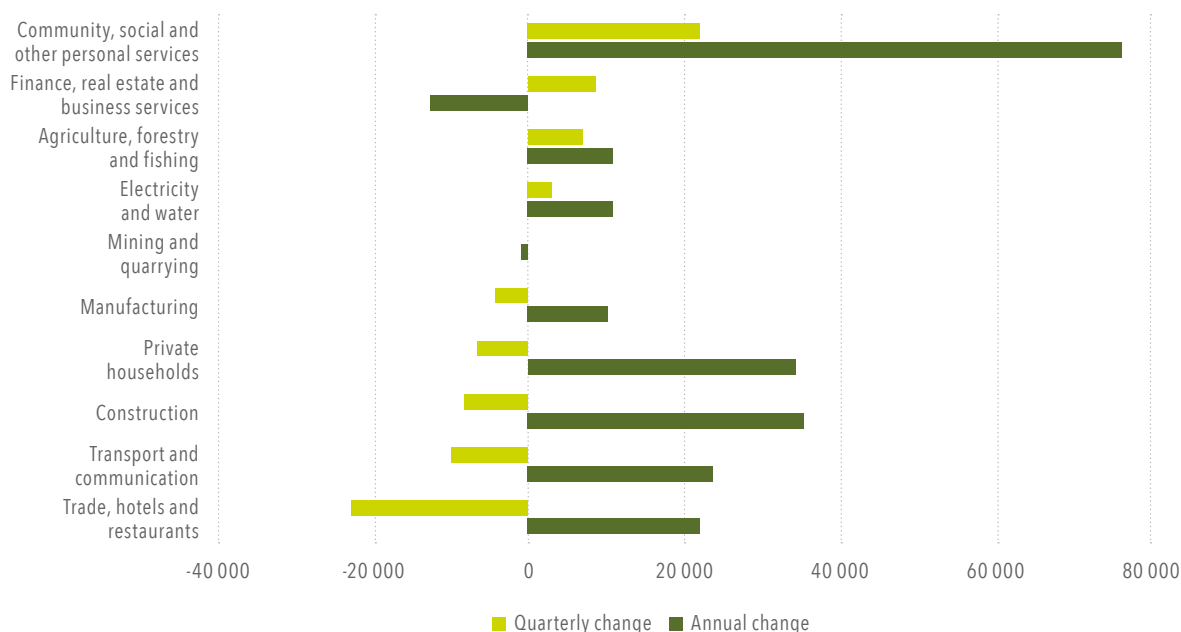
9. The 'strict' definition of unemployment includes only people who are actively seeking work. The 'broad' definition of unemployment includes those under the 'strict' definition as well as 'discouraged' and other 'non-searching' job seekers.

# SECTOR EMPLOYMENT TRENDS FOR CAPE TOWN

Figure 8 depicts the change in the level of employment by sector in Cape Town in the third quarter of 2023 compared to the second quarter of 2023 and the third quarter of 2022. On a quarter-on-quarter basis, five sectors recorded employment losses, while four sectors recorded employment gains. The community, social and other personal services sector (up by 21 724 jobs) added the most to total employment, followed by finance, real estate and business services (up by 8 705 jobs) and agriculture (up by 6 954 jobs). A solid contribution to employment growth was also made by the electricity and water (up by 2 941 jobs) sector. The trade, hotels and restaurants sector shed the most jobs (down by 22 833 jobs) in the third quarter, followed by transport and communication (down by 10 041 jobs) and construction (down by 8 169 jobs). Further employment losses were also recorded in the private households (down by 6 849 jobs) and the manufacturing (down by 4 647 jobs) sectors. The mining and quarrying sector remained unchanged on a quarter-on-quarter level.

Only two sectors recorded year-on-year employment losses when compared to the third quarter of 2022, while seven sectors recorded strong employment gains. Similar to its quarterly performance, the community, social and other personal services sector added the most to employment with a total of 75 928 jobs. It was followed by construction (up by 35 166 jobs) and private households (up by 34 196). Strong contributions were also made by transport and communication (up by 23 832), trade, hotels and restaurants (up by 22 158 jobs), agriculture (up by 10 772 jobs), electricity and water (up by 10 643 jobs) and manufacturing (up by 10 009 jobs). The finance, real estate and business services sector shed the most jobs (down by 12 944 jobs) followed by the mining and quarrying sector (down by 1 036 jobs).

**FIGURE 8: QUARTERLY AND ANNUAL CHANGE IN EMPLOYMENT PER SECTOR FOR CAPE TOWN, 2023 Q3**



Source: Statistics South Africa, Quarterly Labour Force Survey, 2023 Quarter 3, November 2023.

# 05

## INFRASTRUCTURE AND TRADE

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

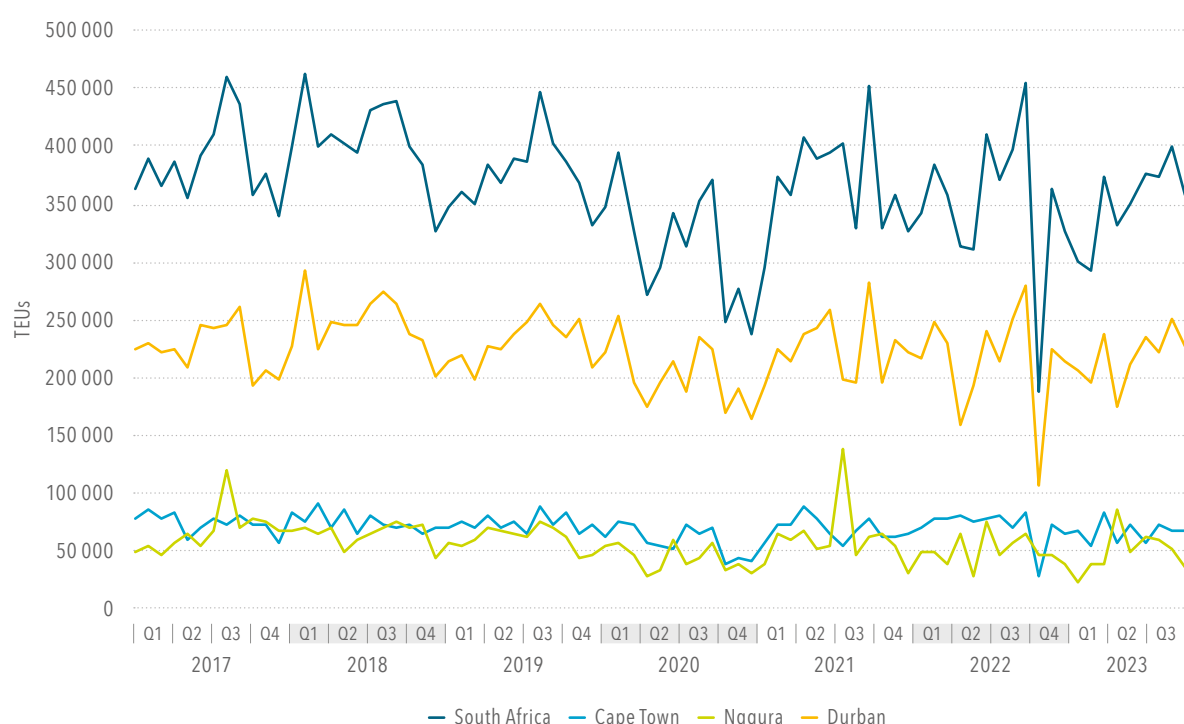


# CONTAINER TRAFFIC

Container traffic demonstrates erratic short-term movement, as shown in figure 9. As such, it is best to compare the quarterly number of containers handled, as measured in twenty-foot equivalent units (TEUs),<sup>10</sup> over a year. The Port of Durban<sup>11</sup> remained the largest container handling port in South Africa, handling a total of 700 370 TEUs in the third quarter of 2023.

This accounted for 62,0% of all containers handled in the country. It was followed by the Port of Cape Town (18,4%) and the Port of Ngqura<sup>12</sup> (13,0%). The remainder of TEUs handled in the country are shipped through the ports of Gqeberha, East London, and Richards Bay.

**FIGURE 9: TOTAL CONTAINERS HANDLED MONTHLY (NATIONALLY), 2017 Q1 TO 2023 Q3**



Source: Transnet National Ports Authority, November 2023.

As shown in table 4, the total number of containers handled at South African ports decreased on a year-on-year basis. Containers handled nationally decreased by 7,6%, from 1 223 133 TEUs in the third quarter of 2022 to 1 130 006 TEUs in the third quarter of 2023. The Port of Durban recorded a year-on-year decrease of 5,7%, while the Port of Ngqura recorded the largest decrease of

12,3% when compared to the third quarter of 2022. The latter was, however, from a comparatively smaller base. The Port of Cape Town experienced a year-on-year decline from 234 009 TEUs handled in the third quarter of 2022 to 207 490 TEUs in the third quarter of 2023, reflecting a year-on-year decrease of 11,3%.

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

11. The Port of Durban is located in the eThekwin metro.

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

**TABLE 4: COMPARISON OF TOTAL<sup>13</sup> CONTAINERS HANDLED (IN TEUs),  
2023 Q3 VERSUS 2023 Q2 AND 2022 Q3**

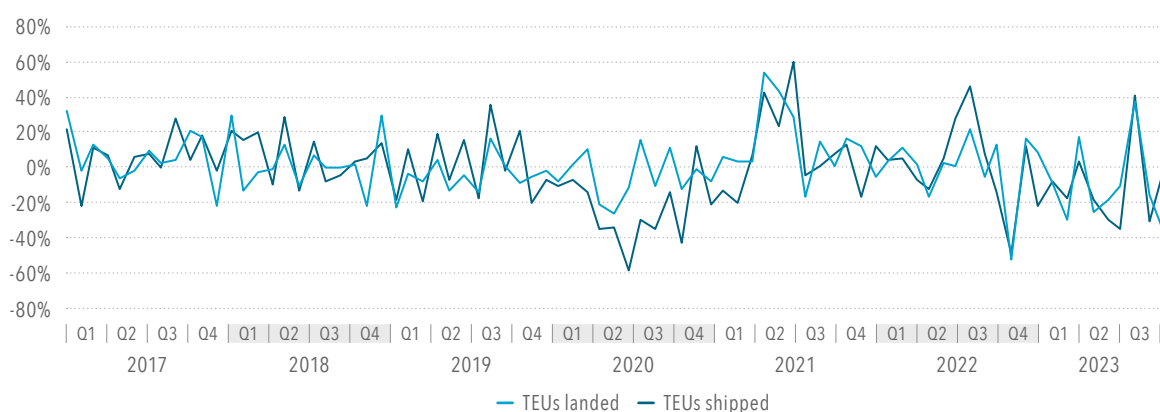
	2023 Q3	2023 Q2	2022 Q3	Year-on-year change
South Africa	1 130 006	1 058 921	1 223 133	-7,6%
Cape Town	207 490	186 996	234 009	-11,3%
Durban	700 370	623 747	742 546	-5,7%
Ngqura	146 662	196 769	167 180	-12,3%

Source: Transnet National Ports Authority, November 2023.

The Port of Cape Town recorded a minimal year-on-year increase of 0,4% in full TEUs landed, from 66 308 TEUs in the third quarter of 2022 to 66 605 TEUs in the third quarter of 2023. The number of TEUs shipped decreased by 4,2%, from 90 160 TEUs in the

third quarter of 2022 to 86 331 TEUs in the third quarter of 2023. When compared to the year-on-year figures recorded in the previous quarter, the year-on-year performances for both full-landed and full-shipped TEUs showed some improvement.

**FIGURE 10: ANNUAL CHANGE IN FULL TEUs HANDLED AT THE PORT OF CAPE TOWN, 2017 Q1 TO 2023 Q3**



Source: Transnet National Ports Authority, November 2023.

According to The Container Port Performance Index 2022 report by the World Bank (2023), South Africa's shipping ports rank among the worst performing globally. This reaffirms long-standing local sentiment on port inefficiencies. The recent partnership with the Philippines' International Container Terminal Service, which will partly own and operate the Durban Container Terminal Pier 2, has led to industry calls for similar partnerships at the Port of Cape Town (Fraser, 2023). Worryingly though, during engagements between the Western Cape's fruit sector, provincial government, and port authorities, industry bodies highlighted to their members that they have limited power to ensure

commitments to enhance the port's performance. As such, the industry could consider alternative solutions, especially as fruit exporters anticipate higher export potential in the forthcoming season, following a 'good winter'. These options include greater use of the Eastern Cape ports (Meintjes, 2023). In the meantime, efforts to improving operational inefficiencies have seen the Transnet National Ports Authority signing a memorandum of agreement with the Council for Scientific and Industrial Research to investigate Cape Town's extreme winds and the disruption these have on maritime operations (Bizcommunity, 2023).

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

# CAPE TOWN TRADE

In the third quarter of 2023, and on a quarter-on-quarter basis, exports from Cape Town increased, while imports experienced a marginal decrease, as illustrated in figure 11 which shows the quarterly trade balance for Cape Town. Exports rose by 19,7% to R37 billion and imports decreased by 6,4% to R65,5 billion. The trade deficit has improved significantly, reducing to R28,5 billion. Nationally, in quarter 3 of 2023, a trade surplus of R 40,5 billion was realised, with platinum, cars, and gold being South Africa's top exports (Quantec, 2023).

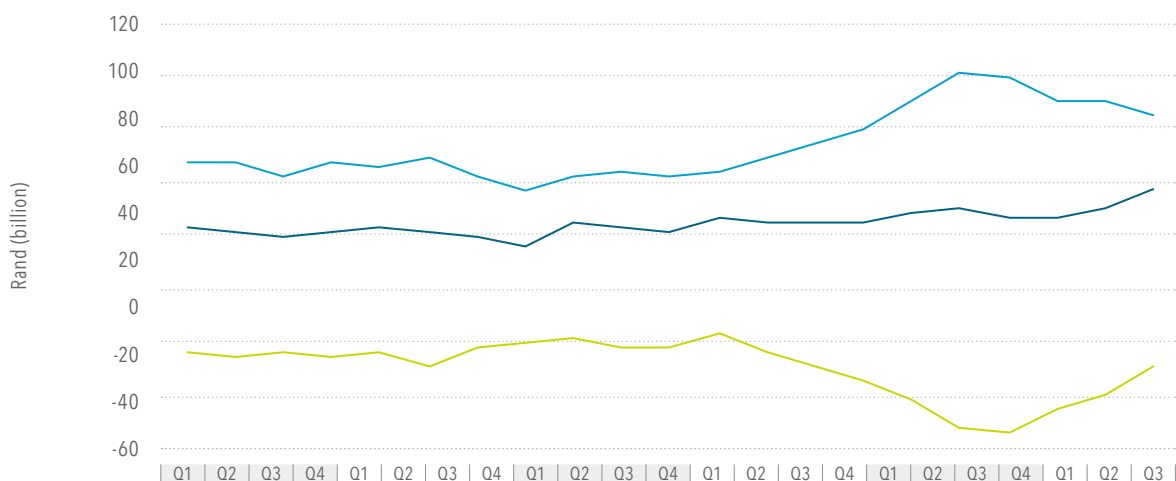
Focusing on Cape Town's top 10 export products (by rand value), the largest quarterly growth was for mineral substances, followed by citrus (117%). The largest year-on-year growth in Cape Town's exports was recorded for mineral substances and chromium, which are not all locally mined. The mineral substances, however, can include calcite, a component of limestone, which is locally mined. The logistical rerouting of chromium, manganese and niobium exports due to infrastructure failures and relatively high international commodity prices continues to drive the increase of

non-local commodity exports from the Port of Cape Town. Refined petroleum remained the highest-value export from Cape Town in the third quarter of 2023, worth R6,8 billion, followed by citrus (R6,4 billion) and coal (R1,7 billion).

Cape Town's largest import products in the third quarter of 2023 were refined petroleum and crude petroleum, worth R23 billion and R6 billion respectively. Refined petroleum was imported primarily from Oman and the United Arab Emirates. Some of this refined petroleum was re-exported from Cape Town to Mauritius and Southern African Customs Union (SACU) countries.

The value of total exports increased by 22,7% and imports declined by 19,8% when compared to the third quarter of 2022. Large increases in imports continue to be recorded for electric transformers and accumulators, the demand for which has been spurred by load-shedding. There were also large year-on-year increases in imports of rice and wheat.

**FIGURE 11: CAPE TOWN'S TRADE BALANCE, 2018 Q3 TO 2023 Q3**



	2018				2019				2020				2021				2022				2023		
Export	18,54	21,63	23,20	22,22	20,14	22,53	22,88	20,95	20,32	16,74	25,16	22,66	21,30	27,56	26,04	25,18	25,62	28,47	30,13	27,22	26,65	30,90	36,97
Import	39,77	39,80	47,02	48,04	43,32	47,01	45,80	49,35	42,67	36,61	42,74	44,19	42,32	43,67	49,06	54,74	59,71	69,84	81,67	79,91	70,39	69,93	65,48
Trade balance	-21,2	-18,2	-23,8	-25,8	-23,2	-24,5	-22,9	-28,4	-22,4	-19,9	-17,6	-21,5	-21,0	-16,1	-23,0	-29,6	-34,1	-41,4	-51,5	-52,7	-43,7	-39,0	-28,5

Source: Quantec, 2023.

cape town's top 10 exports in the third quarter of 2023, shown in table 5, accounted for 56% of total exports. As noted, when compared to the third quarter of 2022, the largest year-on-year increases in the top 10 exports were for commodities, namely other mineral substances, chromium (174%), and refined petroleum oil (108%). Crude oil prices were at annual highs in quarter 3, reaching USD89,43/barrel in September and contributing to the rise in export values of petroleum. Although year-on-year exports grew, "shipments were bogged down by logistical delays averaging 12–16 days and shipping lines bypassing the port [as it was] too costly to dock due to the slower turnaround time at the port" (BusinessDay, 2023).

Coal exports experienced the largest year-on-year decline of 23%, followed by jewellery (-13%). Export items that have previously been in the top 10, but that have now been overtaken by non-local commodities include frozen fish, beauty products and grapes. While total exports grew by 22,7% year-on-year, this was driven by commodity exports and a weaker exchange rate in August and September, making Cape Town exports more competitive over this period.

**TABLE 5: CAPE TOWN'S TOP 10 EXPORTS, 2023 Q3**

Cape Town's top export categories for 2023 Q3 (HS 4) <sup>14</sup>	ZAR million	% of total exports	Year-on-year change (vs 2022 Q3)
Refined petroleum oils	R6 842,93	18,5%	108,3%
Citrus	R6 382,19	17,3%	19,8%
Coal	R1 662,58	4,5%	-23,2%
Apples, pears and quinces	R1 288,76	3,5%	11,7%
Mineral substances, e.g. calcite	R987,26	2,7%	841 662,4%
Chromium	R964,01	2,6%	173,9%
Engine parts	R729,39	2,0%	4,9%
Wine	R640,72	1,7%	42,5%
Fish fillets	R598,30	1,6%	26,1%
Jewellery with precious metal	R576,43	1,6%	-13,2%
<b>Total of top 10 export categories</b>	<b>R20 672,58</b>	<b>55,9%</b>	
<b>Total of ALL products</b>	<b>R36 965,99</b>	<b>100,0%</b>	<b>22,7%</b>

Source: Quantec, own calculations, November 2023.

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

14. The Harmonized System is a six-digit code system used internationally for the classification of products. It allows for the trading of goods on a common basis for customs purposes.

# AIRPORT STATISTICS

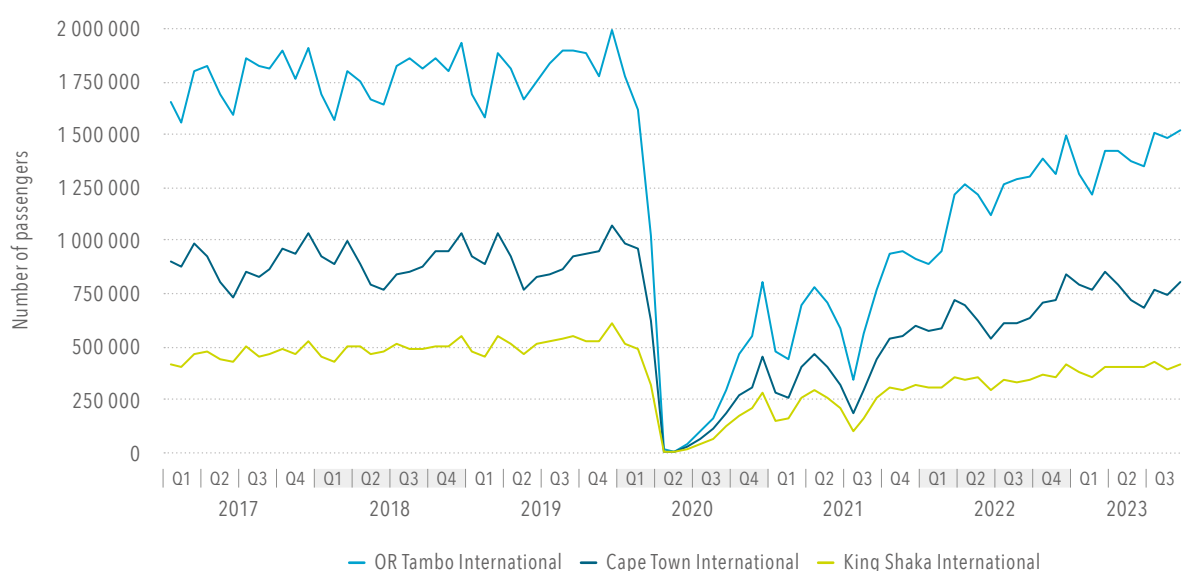
Cape Town International Airport is South Africa's second-busiest airport, after OR Tambo International Airport in Johannesburg. It recorded 2,3 million passenger movements (arrivals and departures) in the third quarter of 2023, compared to 4,5 million passenger movements at OR Tambo International and 1,2 million at King Shaka International during the same period.

To account for seasonal trends, passenger statistics are best analysed on a year-on-year basis. For the third quarter of 2023, all three international airports recorded positive year-on-year passenger growth. Total passenger movements at Cape Town International in the third quarter of 2023 increased by 24,8% year-on-year, with a total of 460 755 more passenger movements than in the third quarter of 2022. Total passenger movements at OR Tambo International increased by 16,8% (+650 731) year-on-year in the third quarter of 2023, while King Shaka International saw an increase of 22,3% (+226 677). These continued positive year-on-year performances point to improvements in travel and its associated industries, such as tourism and meetings,

incentives, conferences, and exhibitions in Cape Town. According to media reports (Crouth, 2023), the Cape Town International Convention Centre (CTICC) will have hosted a total of 415 events in 2023, with higher numbers already confirmed for the next two years.

Due to the significant disruption to air travel in 2020 as a result of the Covid-19 pandemic, and the subsequent slow recovery of travel and associated industries, the year-on-year performances remain relatively amplified as they have come off a low base. When compared to the same period in 2019,<sup>15</sup> air passenger movements remain 18% lower than pre-pandemic levels on average, which is illustrated in figure 12. However, this situation has improved when compared to the previous quarters, albeit at a slow pace. International arrivals have experienced a full recovery from 2019 levels, which is encouraging for the upcoming peak season. Among the three international airports, Cape Town International shows the lowest difference from pre-pandemic levels (-12%).

**FIGURE 12: TOTAL (MONTHLY) PASSENGER MOVEMENTS AT SOUTH AFRICA'S MAJOR AIRPORTS, 2017 Q1 TO 2023 Q3**



Source: Airports Company South Africa, November 2023.

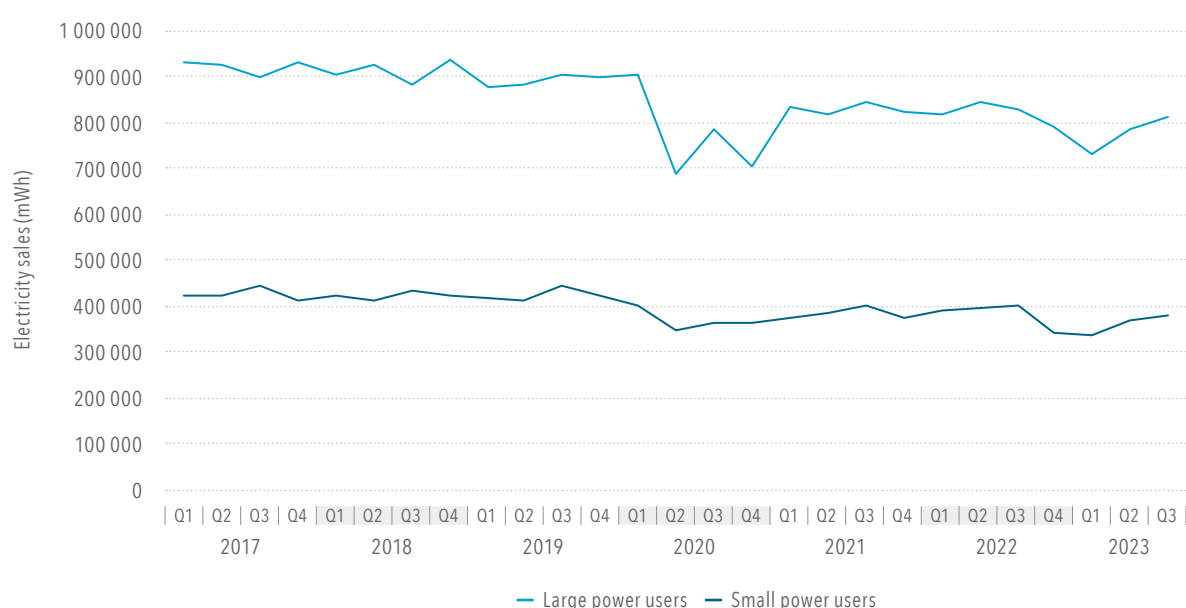
15. While South Africa's lockdown commenced on 15 March 2020, many other countries already had restrictions in place during the first quarter of 2020.

# COMMERCIAL AND INDUSTRIAL ELECTRICITY USAGE

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

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

**FIGURE 13: CAPE TOWN'S COMMERCIAL ELECTRICITY USAGE, 2017 Q1 TO 2023 Q3**



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

Following an increase in the previous quarter, electricity sales to LPUs continued to grow in the third quarter of 2023, increasing by 3,8% on a quarter-on-quarter basis. The City's electricity sales to SPUs also grew by 2,7% quarter-on-quarter. In the second quarter of 2023, a combination of lower-than-expected energy demand and an improvement in the Energy Availability Factor, which reached 60% in June 2023, led to reduced stages of load-shedding (South African Government News Agency, 2023). Load-shedding in the third quarter of 2023 was also lower than anticipated due to improved power plant performance as a result of the colder weather, increased wind power generation, and

a drop in electricity demand from major industries on account of higher winter tariffs (BusinessTech, 2023). This decline in load-shedding contributed significantly to the growth in electricity sales to LPUs and SPUs and suggests an increase in manufacturing activity in Cape Town in the third quarter of 2023.

Despite the growth recorded, electricity sales to LPUs and SPUs in the third quarter of 2023 were still lower than in the corresponding period in 2022. LPUs recorded a year-on-year decrease in electricity sales of 1,5% and electricity sales to SPUs declined by 6,1% year-on-year.

# 06 TOURISM

Owing to its unique location and geology, Cape Town is one of the most scenic and recognisable cities in the world. The city boasts an abundance of world-class attractions. The combination of scenic appeal, excellent service standards and a well-developed hospitality sector underpins a historically robust tourism industry. This industry remains important for the local economy, not just because of its potential role in job creation – being one of the most labour-intensive industries in Cape Town – but also for its catalytic influence on other industries such as the real estate sector, creative industry and transport sector.



Cape Town is a well-known domestic and international tourist destination, and the city's tourism sector is a valuable contributor to the local and national economy. However, tourism was one of the industries hardest hit by the Covid-19 pandemic and, amid an array of challenges to global economic growth, the recovery in Cape Town's tourism activity levels and trends remains sluggish.

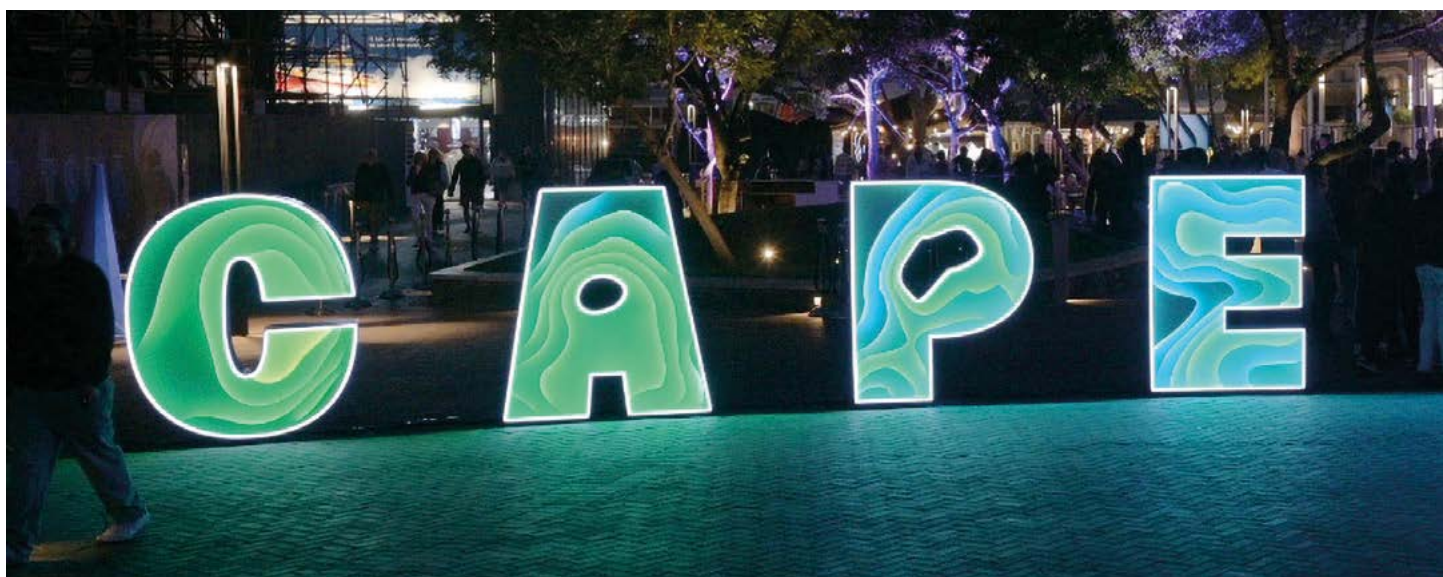
Cape Town Tourism's (CTT) Cape Town Accommodation Performance Review & Forecast Report continues to record low survey participation rates.<sup>16</sup> This may be due to lower membership levels due to establishment closures, as well as constrained resources. The Cape Town Accommodation Performance Reviews (CTT, 2023a; CTT, 2023b), covering the months of July and August 2023, had an average response rate of 31 tourism accommodation establishments, of which the majority are based in the Cape Town metropolitan area.

During the third quarter of 2023, the surveyed establishments recorded an average occupancy rate of 61%. Despite being lower than the recorded forecast demand (64,1%) for the period, this remained in line with historic trends. Encouragingly, the third quarter of 2023 shows slightly improved performance compared to the same period in 2022 (59,5%). The sustained higher occupancy rate recorded in the third quarter is a positive signal for the tourism sector. Similarly, the average room rate (R1 774) and revenue per room rate (R1 082) were slightly lower than their respective forecasted demand.

Demand for accommodation in the third quarter of 2023 continued to primarily be driven by the domestic market, which accounted for an average of 59% of room nights sold. Demand from travellers from within Africa constituted 11%, and international travellers 30%. Across the three segments, 'leisure' was the main reason cited for travel in July, while 'business' overtook 'leisure' in August among domestic and regional travellers.

Continued recovery is also evident in visitor statistics. During the third quarter of 2023, Cape Town's five major tourist attractions<sup>17</sup> recorded a total of 763 159 visits. Performance for the quarter showed an improvement of 44% for the same period in 2022. Total visits are still 10% lower than in the third quarter of 2019, however this gap continues to narrow.

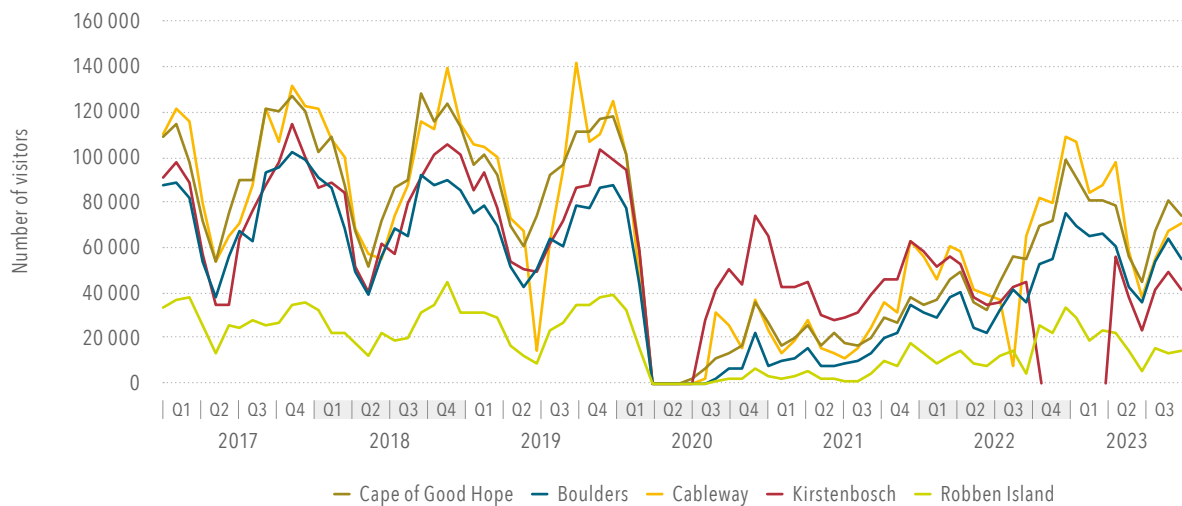
In the third quarter of 2023, the Cape of Good Hope recorded the highest number of visits (222 307), showing a year-on-year improvement of 42%. This was followed by Table Mountain Aerial Cableway, which recorded 193 487 visits, representing a year-on-year improvement of 77%. Boulders Beach recorded 173 129 visits, which is a year-on-year improvement of 58%, while Kirstenbosch National Botanical Gardens recorded 131 376 visits, representing 6% year-on-year growth. Robben Island recorded 42 860 visits in the third quarter of 2023, improving 42% year-on-year.



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

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

**FIGURE 14: TOTAL (MONTHLY) VISITS TO THE TOP FIVE TOURIST DESTINATIONS OF CAPE TOWN, 2017 Q1 TO 2023 Q3**



Source: Wesgro, November 2023.

Note: No visitor data accessible for 2022 Q4 and 2023 Q1.

Figure 14 illustrates the highly seasonal nature of Cape Town's attractions, with peak visitor activity occurring in the summer period from November to March. The lowest tourist visitor numbers are typically recorded between May and July, which fall within Cape

Town's winter period. Reflecting the region's seasonal trends, visitor numbers began to pick up during the third quarter (compared to quarter 2).



# 07 ADDITIONAL INDICATORS

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



# BUILDING DEVELOPMENTS

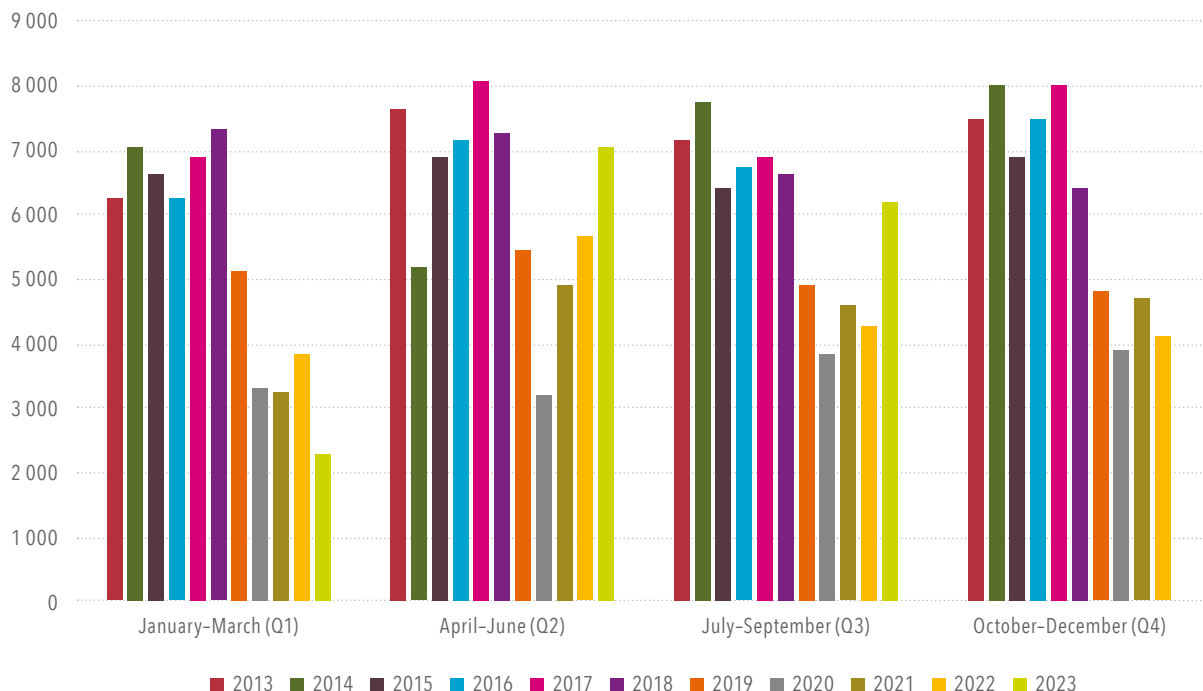
The economic growth data for the third quarter of 2023 show that national output in the construction sector declined by 2,8% quarter-on-quarter (non-annualised growth), marking a second – and higher – consecutive quarterly contraction. This comes after three consecutive quarters of positive growth. It has also impacted the sector's year-on-year performance, which declined by 6,9 percentage points when compared to the previous quarter, to record a year-on-year contraction of 1,5% in the third quarter of 2023. The Western Cape's construction sector mirrored these national trends, recording a quarter-on-quarter contraction of 2,7% in the third quarter of 2023, and year-on-year contraction of 1,4% (Quantec, 2023).

The First National Bank (FNB)/BER Building Confidence Index<sup>18</sup> improved by 6 index points in the third quarter of 2023 to register 34 index points. The current level translates to 65% of respondents indicating that they are dissatisfied with the

prevailing business conditions. The improvement for this quarter is attributed to improved sentiment among building material manufacturers, quantity surveyors, architects, and building sub-contractors, while sentiment among main contractors and hardware retailers declined slightly. FNB makes the positive observation that activity in the non-residential building sector is improving faster than expected (BER, 2023e).

The sentiment embedded in the Building Confidence Index is often also evident in some of the City's building plans data. For the third quarter of 2023, the number of building plans submitted increased by 45% when compared to the third quarter of 2022, while building completions recorded significant year-on-year declines of -73% by rand value, as well as -65% by number of [completed] projects (CCT, 2022d). Building plan submissions totalled 6 209 for the third quarter, while building completions totalled 1 996, with a value of R2,16 billion (CCT, 2023d).

**FIGURE 15: BUILDING PLANS SUBMITTED TO THE CITY OF CAPE TOWN, 2013 Q1 TO 2023 Q3**



Source: Planning and Building Development Management Department, CCT, December 2023.

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

18. The FNB/BER Building Confidence Index captures the percentage of architects, quantity surveyors, contractors and manufacturers of building material who are satisfied with, or wary of, the prevailing business conditions.

# NEW VEHICLE SALES

At 14 906 units sold, total vehicle sales in the Western Cape in the third quarter of 2023 decreased by 3,2% (489 units) from 15 395 units sold in the second quarter of 2023. On a year-on-year basis, vehicle sales decreased by 3,4% (517 units) from 15 423 vehicles sold in the same period of 2022; this notes the first year-on-year decline since 2020. Passenger vehicle sales in the Western Cape, which represent the private consumer segment of the market, recorded a decrease from 10 355 vehicles in the second quarter of 2023 to 9 694 vehicles sold in the third quarter of 2023. The year-on-year results showed a decrease of 11,6% (1 270 units) from 10 964 vehicles sold in the third quarter of 2022.

At a national level, passenger vehicle sales reported a year-on-year decrease of 8,6% (7 909 units) from 92 123 units in the third quarter of 2022 to 84 214 units in the third quarter of 2023. Despite this year-on-year decline, according to the third quarter review by the National Association of Automobile Manufacturers of South Africa (naamsa), the industry recorded year-on-year growth in new energy vehicle sales (naamsa, 2023).

TransUnion's Vehicle Pricing Index (VPI) report (2023) further highlights the impact of a challenging macroeconomic climate on the consumer market, marked by rising inflation increased fuel prices, as well as currency volatility. Interesting changes, however, are noted for the third quarter of 2023. These include an increase in the average vehicle financing amount, coupled with a notable change in the used-to-new ratio<sup>19</sup> from 1,80 in the previous quarter to 1,41 in the third quarter of 2023. While this ratio remains skewed to used vehicle financed sales, TransUnion attributes the change to shifting customer buying patterns towards new vehicles, as well as the possibility of lower-quality used vehicle stock. The latter is further reflected in the VPI<sup>20</sup> for used vehicles, which remains relatively high at 8% for the third quarter of 2023 (down from 9,8% in the previous quarter). The VPI for new vehicles recorded 6,5% in the current quarter, down slightly from the 6,7% of the previous quarter.



19. TransUnion's used-to-new ratio indicates how many used vehicles are being financed [through finance houses] for every one new vehicle financed (TransUnion, 2023).

20. VPI measures the relationship between the year-on-year price increases for new and used vehicles from a basket of passenger vehicles of the 15 top manufacturers by volume. The index is created from vehicle sales data collated from across the industry.



# ABBREVIATIONS

ACSA:	Airports Company South Africa
BER:	Bureau for Economic Research
BFAP:	Bureau for Food and Agriculture Policy
CCT/City:	City of Cape Town
CPI:	consumer price index
CT:	Cape Town
CTT:	Cape Town Tourism
EAF:	Energy Availability Factor
EPIC:	Economic Performance Indicators for Cape Town
FAO:	Food and Agriculture Organization
FNB:	First National Bank
GDP:	gross domestic product
GDP-R:	regional gross domestic product
GGP:	gross geographic product
GVA:	gross value added
GWh:	Gigawatt hours
HS:	Harmonized System
IMF:	International Monetary Fund
LPU:	large power user
MPC:	Monetary Policy Committee
naamsa:	National Association of Automobile Manufacturers of South Africa
PMI:	Purchasing Managers' Index
PPI:	producer price index
Q:	quarter
QLFS:	Quarterly Labour Force Survey
RMB:	Rand Merchant Bank
SA:	South Africa
SARB:	South African Reserve Bank
SARS:	South African Revenue Service
SPU:	small power user
TEU:	twenty-foot equivalent unit
USD/US\$:	United States dollar
USD/T:	United States dollar per ton
VPI:	Vehicle Pricing Index
WC:	Western Cape
WEO:	World Economic Outlook
ZAR:	South African rand

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